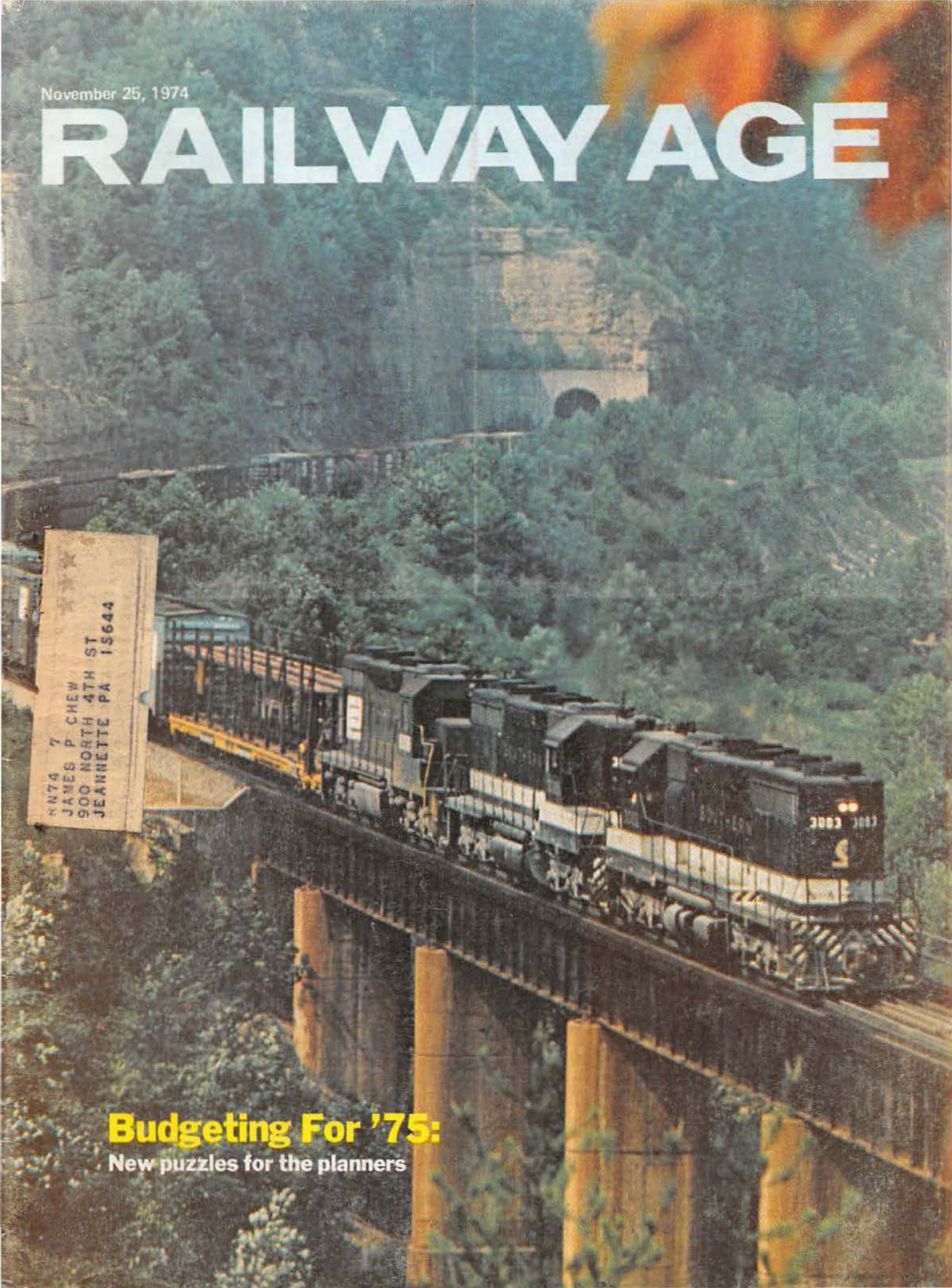
November 25, 1974

RAILWAY AGE



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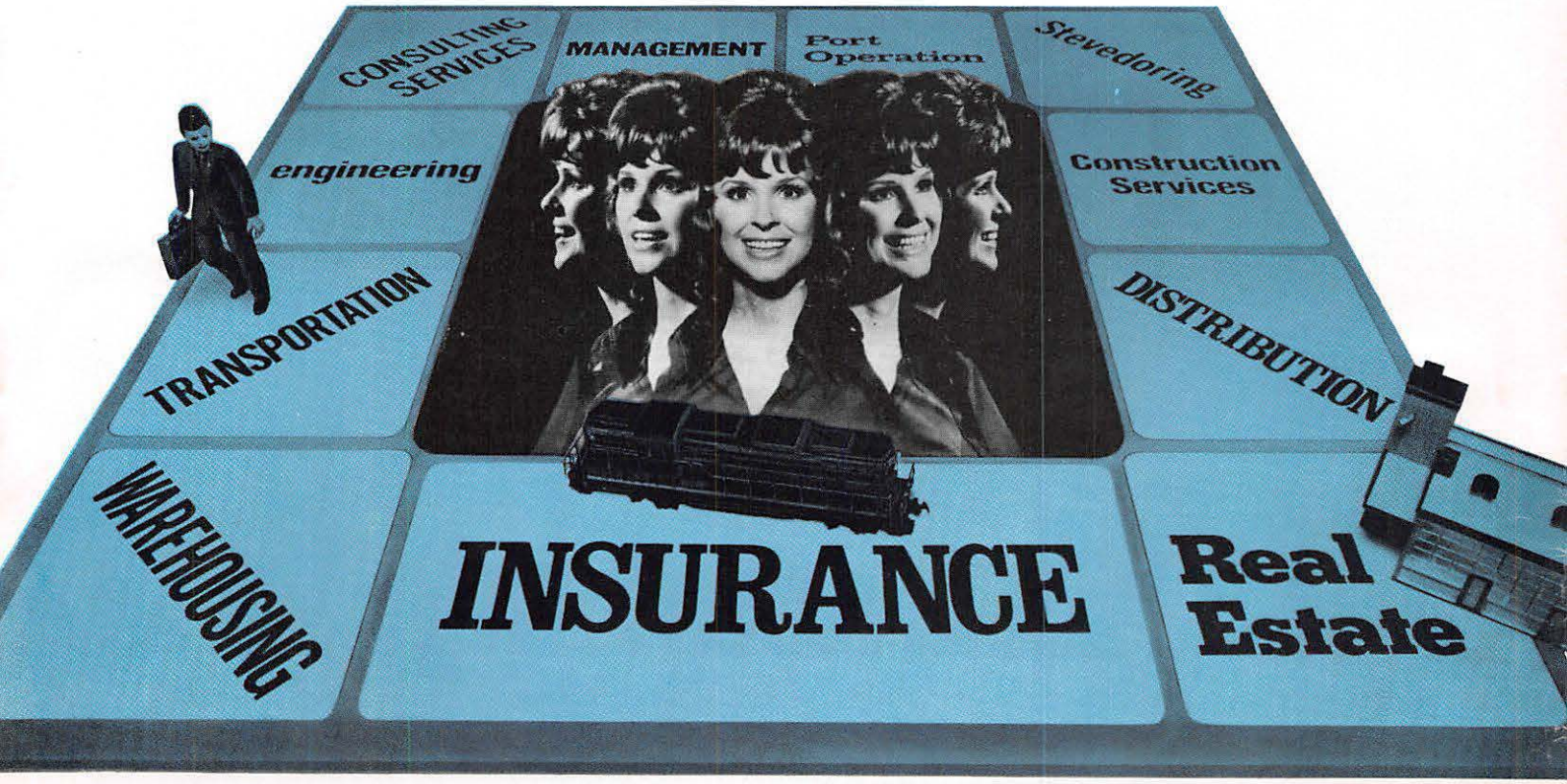

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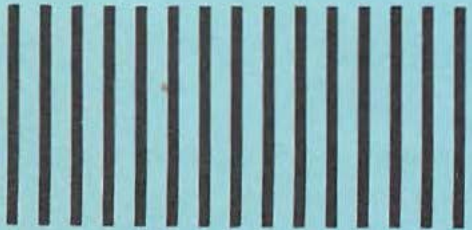

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Inside

LUTHER S. MILLER

SIGNS AND PORTENTS

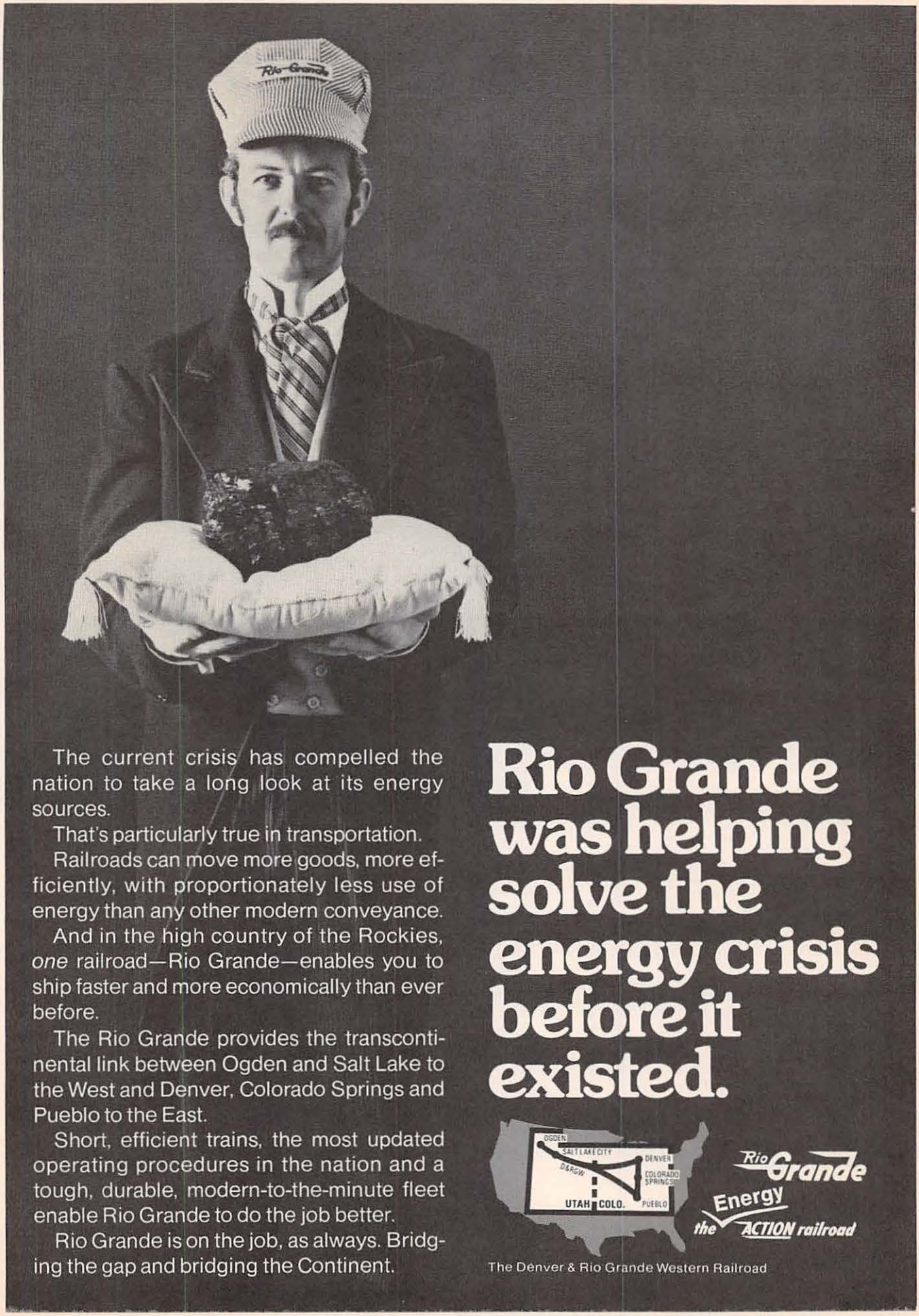
Thursday, Nov. 7, dawned gray and gloomy in St. Louis; but all was warmth and optimism at an unusual ceremony that unfolded late in the morning alongside a Missouri Pacific track at 7th and Poplar Sts. "I haven't seen so many railroad industry and government VIPs per square foot since I last covered a Penn Central hearing, and I must say these look rather happier," observed one of the 18 TV, trade and newspaper reporters sprinkled among the crowd of 100-plus. But the real VIPs of the occasion were half a dozen box cars—the first to wear the distinctive "next load, any road" livery of the American Rail Box Car Co.—that were being turned over by the builder, ACF Industries, to the buyer. (Altogether, 10,000 cars,

AT ST. LOUIS CEREMONY: Left to right, Lawrence A. Bossidy, vice president of General Electric Credit Corp.; Curtis T. Buford, president of American Rail Box Car Co.; R.C. Grayson, chairman of the Frisco, one of 137 railroads which either belong to or have applied for membership in the free-running pool; and Henry A. Correa, president of ACF Industries, which shares RAILBOX's first 10,000-car order with Pullman-Standard, Berwick, Pacific Car & Foundry, and FMC.

valued at $250 million and financed by the General Electric Credit Corp., are being produced by five builders under the initial order; 9,000 will be delivered by the end of 1975. Orders for 25,000 to 50,000 additional cars are anticipated in the next five years.)

Because the RAILBOX concept so aptly symbolizes the revitalization of railways that is now taking place, we chose a color portrait of the new cars to illustrate this issue's cover story on the 1975 railroad picture as it is now starting to take shape (p. 22).

Right now, the nation's economic climate is as gray and gloomy as that day in St. Louis—but despite this, there appears to be considerable reason for optimism. These are, indeed, puzzling times for railroad budget-planners; but all available evidence suggests that for a number of reasons the railroads and their suppliers may have picked up sufficient momentum in this watershed year to carry them through the tough times ahead with fewer dislocations than other recessionary periods have produced.



The current crisis has compelled the nation to take a long look at its energy sources.

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Energy
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The Denver & Rio Grande Western Railroad

RAILWAY AGE

NOVEMBER 25, 1974

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Southern Railway Chief Photographer Tom Emmons photographed this runthrough freight crossing Emory River bridge just south of Oakdale, Tenn. Nemo tunnel is in background.

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Short and Significant

7% RATE-HIKE REQUEST FILED

As expected, most railroads petitioned the ICC Nov. 15 for a 7% freight-rate increase to become effective Jan. 1 (RA, Oct. 14, p. 8). Also as expected, the Chessie System did not join in the request. The petitioning carriers cited price increases "on a scale exceeding any prior period since World War I." They told the ICC that cost escalations not covered by previous rate increases amounted to $1.5 billion, including $931 million in newly increased costs of materials and supplies other than fuel; increased payroll taxes; equipment rents; state and local taxes; fixed charges; loss and damage; personal injuries; and insurance and pensions—plus $576 million not recouped in any earlier rate hike. The petition noted that the actual yield of the proposed 7% increase would be about 6%, bringing the railroads additional revenues of about $1 billion a year, still some $500 million short of the cost escalations.

RATE INCREASES DUE IN CANADA

The Canadian government has decided to lift, effective Dec. 31, the freeze on railroad rates—and this could mean, say Ottawa observers, that shippers will be paying up to 25% more next year. Following the Cabinet's decision to lift the freeze, Transport Minister Jean Marchand met with officers of the two major carriers, Canadian National and CP Rail, to discuss the size of the increases and how they will be applied to specific commodities.

LRC AVERAGES 96.8 MPH IN TEST RUN

MLW's LRC train on Nov. 13 completed a run of 1,094.76 miles around UMTA's test track at Pueblo—120 laps—at an average speed of 96.8 mph. Included were two inspection stops of 10 minutes each. The LRC's record exceeds, in distance and speed, that of the Denver Zephyrs made more than 40 years ago. However, the CB&Q run of 1,015.4 miles Denver to Chicago, at an average speed of 77.5 mph, was made non-stop.

IN CANADA, TALKS MOVE AHEAD

Like their counterparts in the U.S., management/labor negotiators in Canada are hoping—quietly and cautiously—for agreement on a new rail labor contract by yearend. Originally, the organizations had asked for a reopening of the existing contract to cover a cost-of-living increment—but, while the carriers promised to study the issue, they also held fast against a reopening, declaring that such a proposal should instead be considered in talks looking toward a 1975 agreement. One result has been that the railroads, as agreed, have been taking an earlier-than-scheduled look at labor's demands for a new pact. This time around, too, the unions appear to be more united—calling their approach "the common front"—but while there is more togetherness on the labor side, it is also reported that the shopcrafts may be a bit less than 100% "together."

U.S. RAILWAY BUILDS SHOP IN KANSAS

U.S. Railway Manufacturing Co., a subsidiary of Evans Products, is building a $2.7-million freight-car repair shop at Junction City, Kans.—its seventh in the nation and first in Kansas. Other plants are at Blue Island, Ill.; Washington, Ind.; Atlanta and Chamblee, Ga.; Nashville, Tenn.; and Springfield, Ore. The Junction City plant, on 40 acres of land served by Union Pacific, will have three manufacturing buildings, the largest of which will be the 84,000-sq-ft erection building. The plant will be completed in the fall of 1975, but some repair work is expected to start prior to completion of the entire complex. When fully operational, the facility will be able to repair four to six cars per day.

TRANSPORT LOANS TOTAL $957 MILLION

The World Bank and the International Development Association granted loans and credits totaling $957 million in fiscal 1974 for transportation improvements in 32 underdeveloped nations. Of the total, about $250 million was for railway modernization. The largest railway loan, $80 million, went to India. Other loans were for highway, airport and harbor improvements.

TRACK-TRAIN DYNAMICS: PHASE II

Phase II of the Track-Train Dynamics Program—a joint effort of the AAR, the RPI, the FRA and the Canadian Transport Development Agency—will officially get under way Jan. 1, 1975, under the direction of Dr. David R. Sutliff, manager of the development laboratory for ACF's Amcar Division at St. Charles, Mo. On loan from ACF for the three-year project, Dr. Sutliff will be based at the AAR Technical Center in Chicago. Phase II's goal is to develop performance standards for track structures, rolling stock and components, and to complete investigation of their dynamic environment. Phase I, still in progress, deals with development of train handling standards and a large number of mathematical models designed to establish the dynamic interaction of trains with track structures under a wide range of operating conditions.

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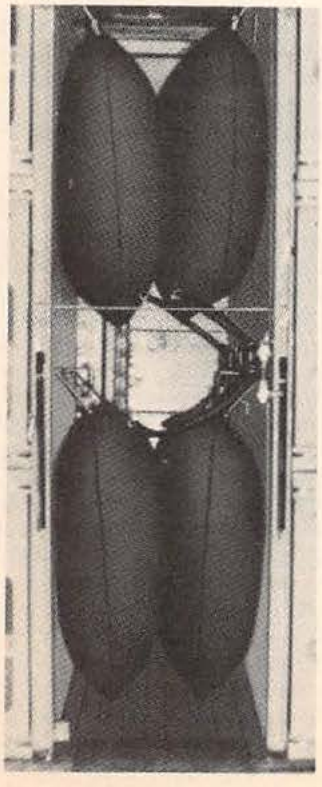

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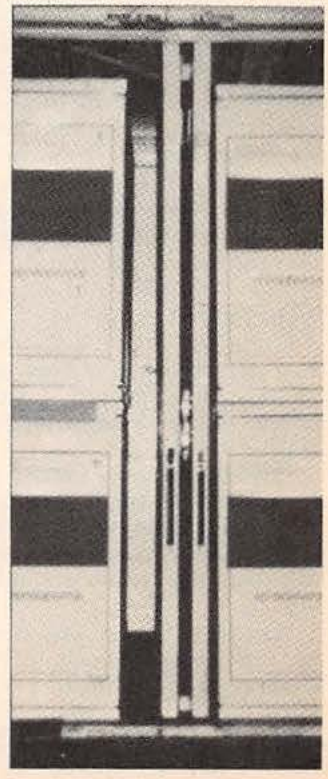

UP/RI decision: Was it worth waiting for?

> "In matters of this scope and importance, all affected parties are entitled to a reasonable opportunity to be heard; and affording the rights of due process accounts for much of the time consumed since the Union Pacific and the Rock Island filed their merger application in September 1964. It has been suggested that due process may, in the eyes of some, seem like undue process, but that is often the price our legal system imposes in litigation of this enormous magnitude."
>
> —ICC Chairman George M. Stafford

Eleven years and more than 200,000 pages of transcript and exhibits after it all began, the Interstate Commerce Commission finally decided what to do about Rock Island. But it remains to be seen whether what the ICC decided will be what actually happens—in whole or in part.

In effect, the ICC opted for merger of RI into Union Pacific, but with a dismemberment that would put parts of RI into Southern Pacific, Santa Fe and Rio Grande. The decision, perhaps surprisingly, assigned Katy to Santa Fe. And it offered interchange-volume protection to five roads, Chicago & North Western, Kansas City Southern, Milwaukee Road, Frisco and Katy (pending, the ICC said, Katy's inclusion in Santa Fe.)

The decision was not exactly unanimous: One Commissioner dissented, three dissented in part.

The reception given the decision was not exactly unanimous, either: John W. Ingram, new president and chief executive officer of deficit-plagued Rock Island, expressed himself as "delighted" with the Commission's initial statement (which was actually a press-release summary, with the full report not expected until sometime around Dec. 1). But the chief executives of other affected roads were considerably more restrained. Union Pacific, for example, noted the obvious—that it would be necessary to study the full report and order before any conclusions could be drawn; it is "possible," UP said, in what was probably an understatement, that "litigation may follow the Commission's decision, and neither the ultimate resolution nor the effective date of such resolution can be forecast at this time."

Litigation? By the ICC's count, more than 150 lawyers have been involved in the case thus far—and it would be a miracle if the decision produces even minimum litigation.

Part of the reason for this is, simply, the passage of time. Conditions have changed; RI, for instance, has fallen victim to deficits stretching back to the '60s, and this year's outlook is most bleak.

Part of the reason, too, is that while the Commission tended to ignore the Messianic restructuring of the West proposed earlier by an administrative law judge, it did carve up parts of the territory—but in ways that had not entirely been anticipated.

● **RI, here and there.** According to the ICC summary, UP is to sell those parts of Rock Island south of Kansas City to SP and Santa Fe, with Santa Fe to acquire the RI line between Amarillo and Memphis. Rio Grande is authorized to acquire the RI line between Denver/Colorado Springs and Omaha (not Kansas City, which Rio Grande also wanted). Katy, which wanted inclusion, is to go to Santa Fe, which had proposed nothing of the sort. And C&NW, KCS, Milwaukee, Frisco and Katy are to be protected: In the ICC's language, the main thrust of protective conditions is that "certain traffic interchange volumes be maintained and guaranteed by indemnity provisions."

On the face of it, it's hard to see how such a far-reaching decision can be put into effect, at least soon. And on the financial side, the difficulties are at least as complicated—a fact that the Commission itself noted. Various financial applications of UP, Santa Fe and SP were approved "to facilitate financing of the transactions being authorized." But, ICC said, such agreements are subject to renegotiation, including the stock-exchange agreement between UP and RI; and with respect to certain parts of the decision, no contracts or agreements exist and these would have to be negotiated from scratch.

Clearly, the Commission regards its decision as something of an accomplishment. It called the Rock Island proceedings "one of the most complex railroad merger cases it has faced in its 87 years of existence," and the only argument with that statement might lie in the use of the phrase "one of the most."

With apparent pride, the ICC noted that decision came just 11 months and 12 days after final oral arguments. With a feel for history, the Commission predicted that the decision would have "far-reaching consequences in the configuration of the national system of railroads." With a feel for self-defense, the ICC noted the wide-ranging impact of the case, not just on transportation but also on the national economy.

(As for employees of the affected railroads who may be wondering what happens to them, if and when, the Commission approved an agreement negotiated by UP and rail labor; in all other situations, the so-called New Orleans conditions would apply.)

By a coincidence of timing, ICC's announcement of its basic approval of UP/RI merger came just one week after Ingram took the helm at Rock Island—amidst speculation that the road's former top management had been ousted because of its failure to get action on the merger. More accurate, probably, is the assumption that RI's directors thought it the appropriate time to get a top-notch marketing man into the top job—and John Ingram surely qualifies.

● **What comes next?** Keeping in mind that judgments are hard to make and will be until the full report and order becomes available—where does railroading in the West go from here? A few observations may be valid:

—In deciding not to use the Rock Island proceedings as a vehicle for redrawing the western-railroad map in toto, the Commission has probably

come up with something that has a chance of being workable, though perhaps not in its entirety.

—Over the past decade-plus, conditions in the West have in fact changed quite a bit. Pessimists argue that these changes have rendered the whole case moot. Optimists still believe accommodations can be reached, though those accommodations may require a lot of hard bargaining.

—Rock Island has slumped, and slumped badly. But it has managed to stay out of the bankruptcy courts. Nobody knows if Ingram's leadership can turn things around; very few railroads have ever had a traffic/marketing man at the top, so there is not much of a record to go on. Ingram has energy, and he knows marketing; he also has a reputation for being outspoken. In his tenure at FRA, he promoted rail transportation—but he was also critical of the ways in which railroading is conducted, and there are some who wonder how cordial his reception will be, now that he is back in the industry.

—A number of western roads didn't get a mention in ICC's initial statement on UP/RI, and this has to raise questions. For example, in its summary, ICC does mention Fort Worth & Denver (with nothing antecedent or following). But, there is no mention of such roads as Missouri Pacific, Burlington Northern, Western Pacific, Illinois Central Gulf. And it's hard to see how even the limited western restructuring proposed by the Commission could be put into effect without having effects on these carriers.

—Reaction from every railroad except Rock Island itself was, at best, non-committal. And, while it is true that you hear talk in the West about a willingness to lend a hand in helping ease the problems of the Northeast, it's doubtful if competitive situations would permit of similar sentiment in the West in the RI case. The facts of life in railroading demand that western lines be concerned about the Northeast; they do not demand that the same feeling apply to Rock Island.

—Even with the proposed limited re-mapping, the ICC decision would significantly change patterns in the West—for example, giving UP access to Chicago, putting Santa Fe into Memphis, stretching Rio Grande to Omaha, ramming both the good and the bad parts of Katy into Santa Fe. Protective conditions notwithstanding, assessments of what these changes might mean will not be soon coming nor easily made.

To its credit, the Commission did not issue its summary with a sigh of relief and the observation that "There, we've done it." The Commission well knows that the Rock Island case is far from over.

It will be with us for a long time.

How we team trucks and trains to get grain to market.

Sometimes the best way to ship on the Milwaukee Road is not *completely* by rail.

In the plains states, for example, some of the grain elevators we serve are located on light density branch lines. To help speed shipments from these points to the market centers and better utilize our freight car fleet, we use the trucks of our subsidiary, the Milwaukee Motor Transportation Co. A quick drive from the elevator to our nearest main-line loading point...then on to the market by rail.

At a savings of up to several days over the all-rail route.

Service like this to our branch line customers is just one example of how we can tailor our service to fit the needs of shippers. Perhaps we can do the same for you.

Whatever you ship, wherever you sell it, we'd like the opportunity to work with you in getting your goods to market. We're a railroad. But our business is *total distribution*.

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America's Resourceful Railroad

Watching Washington

R.M.M. McCONNELL

THE NEW WASHINGTON

Election returns—with a few exceptions—bore out predictions of pollsters and other people who know how to read that this would be a good year for the Democrats. The Democrats picked up 44 seats in the House of Representatives, and strengthened their hold both on the Senate and on the nation's statehouses.

What are some of the implications of the election? In the first place, there is going to be a lot of power-brokering back and forth between the Hill and the White House if President Ford expects to see much legislative action on Administration proposals. In addition, the nation can expect some harsh conflicts between the more liberal Congress and an Administration that is both conservative and—in the economic arena, anyway—scared.

While Ford and his advisers, in their desperation to halt inflation, may consent to defense cuts, it will be halfheartedly. The real place to save money in America, the White House seems to think, is on social programs. It is not likely that the Congress is going to buy this approach unless the economic situation gets desperate; but if it gets *really* desperate, then Congress will be forced back to massive social programs.

That's all very nice, but what does it mean to railroads? The exact impact on the railroads is going to depend on what the economists call "fine-tuning." On the one hand, the Congressional interest in railroads appears at an all-time high, and the legislators who raised the Congressional conscience about railroads this year are for the most part going to be in Congress for at least another two years. That's good.

On the other hand, if the economy continues to deteriorate, Congressional interest in railroads could fade fast. The problems the railroads face are going to take a lot of money to solve, money that might be needed elsewhere. And how many votes do the railroads have, anyway?

In short, the new Congress will be well-disposed to help the nation's railroads, as long as nothing more important comes up.

AND IN THIS CORNER. . .

The real impact the new Congressmen have as individuals won't begin to emerge until committee assignments are made final, probably at the end of January. Yet by then, there may be some other changes in Washington manpower that will catch the attention of the nation's railroads. Rumors persist that Ford is planning a major Cabinet overhaul that will see the departure of most of Nixon's appointees at the Cabinet level.

This mass exodus will almost certainly include Transportation Secretary Claude S. Brinegar. Unfortunately, the rumor mills are not nearly so certain about who will fill all those vacant slots. For a short time, it looked as though New York/New Jersey Port Authority Chairman William Ronan might be offered the DOT job, but disclosures of Vice President-Designate Nelson Rockefeller's financial generosity to Ronan have probably ruled out that possibility. Meanwhile, the job of Federal Railroad Administrator is vacant. The likeliest candidate for that post seems to be James A. Hagen, who now heads up operations and facilities planning for the United States Railway Association.

New York approves rail bond issue

By a comfortable 3-to-2 margin, New York voters on Nov. 5 approved a $250-million bond issue for railroad freight and passenger-service improvements. Similar proposals fared less well elsewhere. Michigan voters turned down a $1.1-billion railroad and rail-transit proposal, and New Jersey voters rejected both a $100-million railroad bond issue and a $200-million highway issue (RA, Oct. 14, p. 12).

High on New York's list is the acquisition of five new high-speed passenger trains for service in the New York-Albany-Buffalo corridor (to be operated by Amtrak in so-called 243-b service, in accordance with that provision of the Amtrak act which requires the corporation to operate deficit passenger services if a state is willing to pick up two-thirds of the cost). Present speculation is that New York will opt for the French-designed (ANF-Frangeco) turbotrains. While the turbos now in service between Chicago and St. Louis were built in France, the Rohr Corp. is licensed to build trains of the same design in the U.S.

New York also plans to purchase 12 locomotives capable of running on both electrified and non-electrified track to eliminate the engine-change at Croton-Harmon for long-haul trains coming to or from Grand Central Terminal.

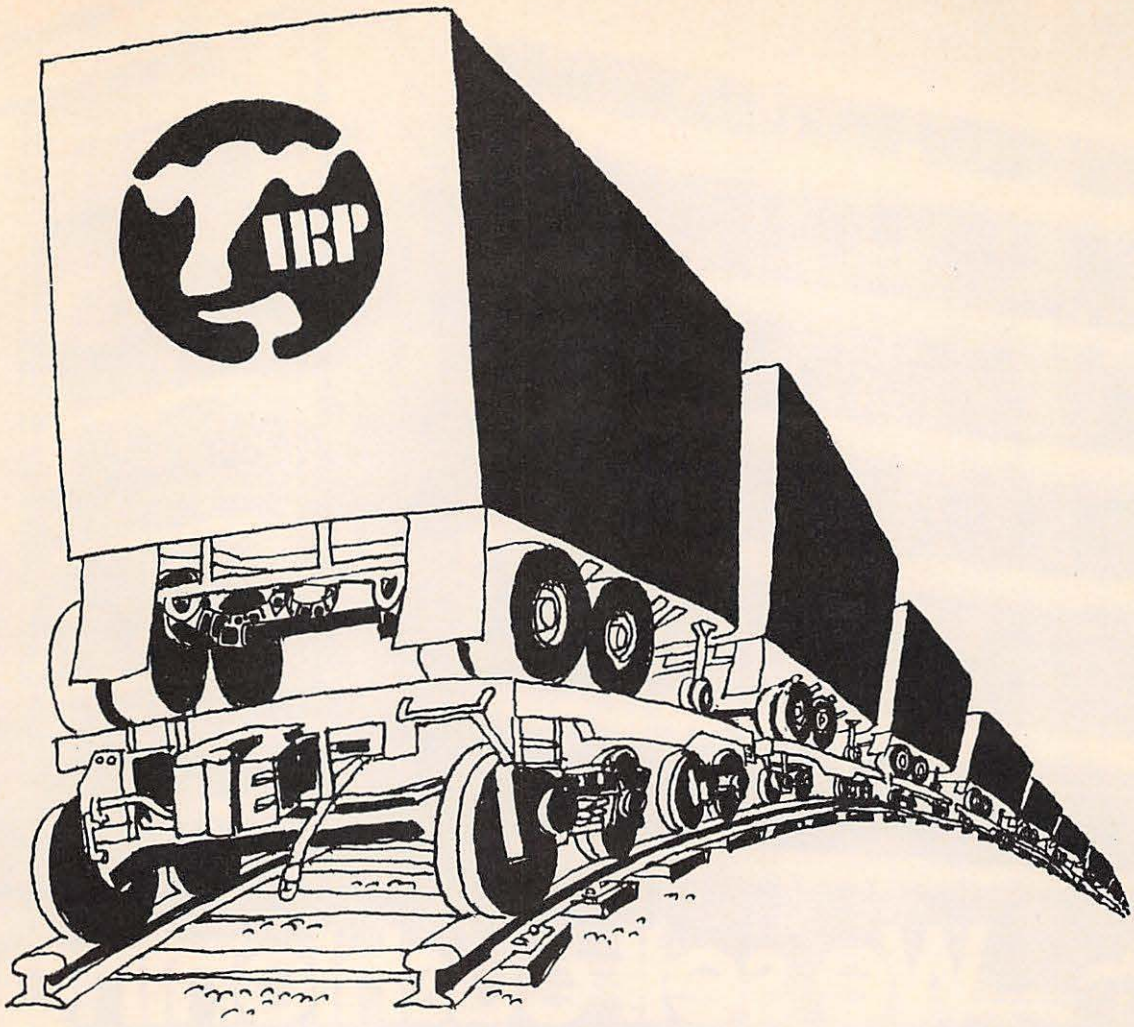
The Long Island is to get a sufficient amount from the funds generated by the bond issue (Federal matching funds will double or triple it) to purchase 25 new freight locomotives and rehabilitate up to 45 passenger cars.

There is provision for $10 million to be used to rehabilitate freight branch lines and another $10 million to purchase branches that otherwise would be abandoned as part of the Northeast rail reorganization plan.

All projects are to be completed within the next five years.

The fact that New York's proposal, unlike two previous ones which went down to defeat, was strictly for rail improvements was widely credited with its success at the polls. Said State Transportation Commissioner Raymond T. Schuler: "We have finally gotten it all together—a program responsive to the needs of our cities, rural areas and suburbs and industries and to the energy and environmental realities of our time, along with a funding plan which is responsive to the most conservative fiscal standards."

New Jersey DOT Commission Alan Sagner blamed the defeat of transportation bond issues in that state on voter apathy, due partly to the State DOT's "historical credibility gap."



got a beef about transportation costs? switch to the Illinois Central Gulf!

When one of the world's largest meat processors wanted to beef up its transportation, recently, they made a surprising move.

In spite of the fact that Iowa Beef Processors owned their own trucking business, they invested in a fleet of refrigerated piggy-back trailers to ship on the ICG.

"We needed to depend on getting to Chicago overnight, and the railroad is consistent!" says Dick Loose, their traffic manager.

And, according to Jack Roeser, Iowa Beef's Group VP as well as member of the National Council on Physical Distribution, "When you think of the future—saving fuel, economy, and service—everything points to greater use of the railroad."

So now when Iowa Beef heads out of Fort Dodge, Dakota City, Denison, and Sioux Falls, it's heading on the ICG. After all, there's a lot at steak, so to speak.

To take the bull by the horns and cut your transportation costs, call us at 312-565-1600 Ext. 2272 and ask for George Stern.

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AN IC INDUSTRIES COMPANY
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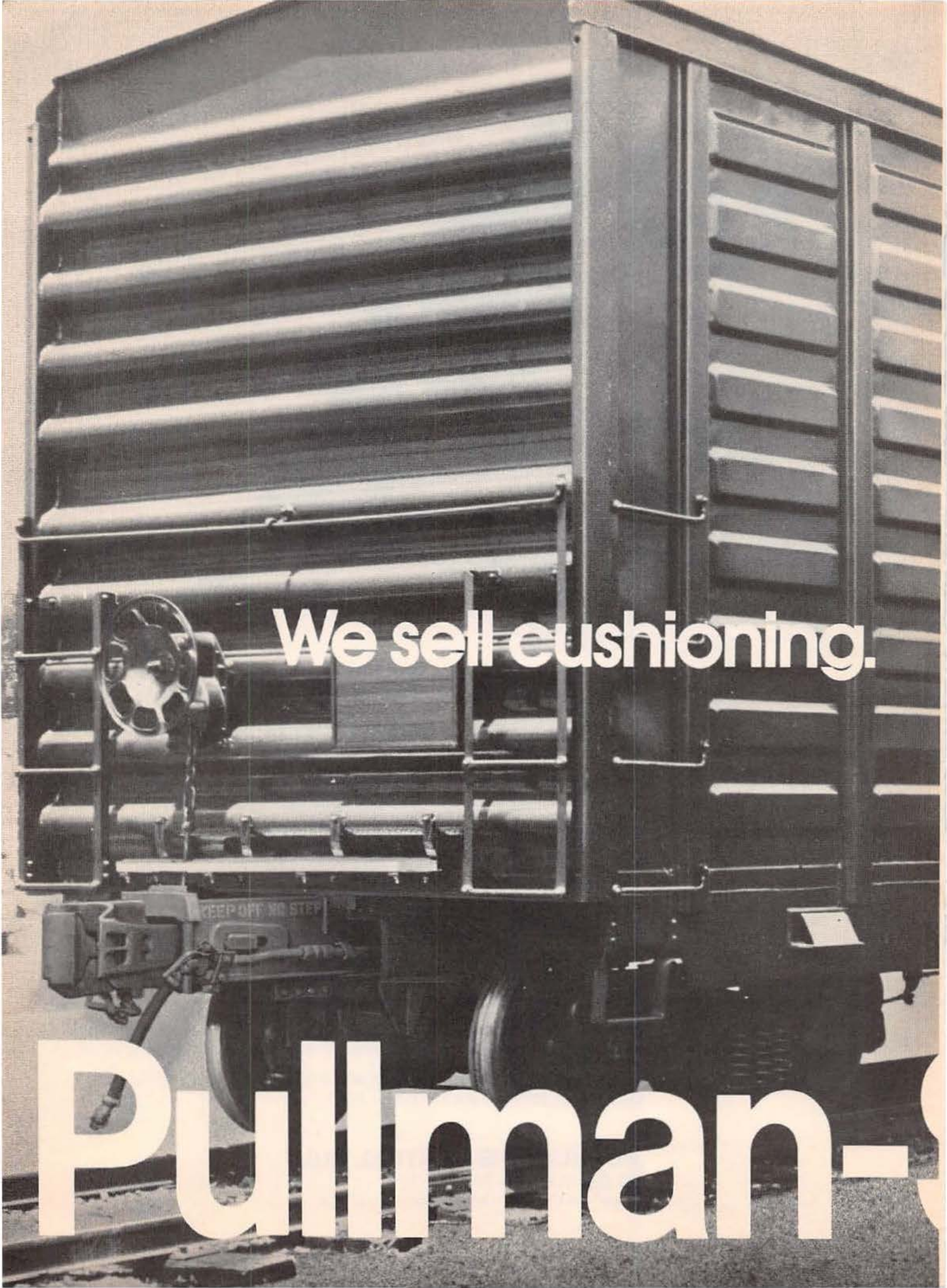
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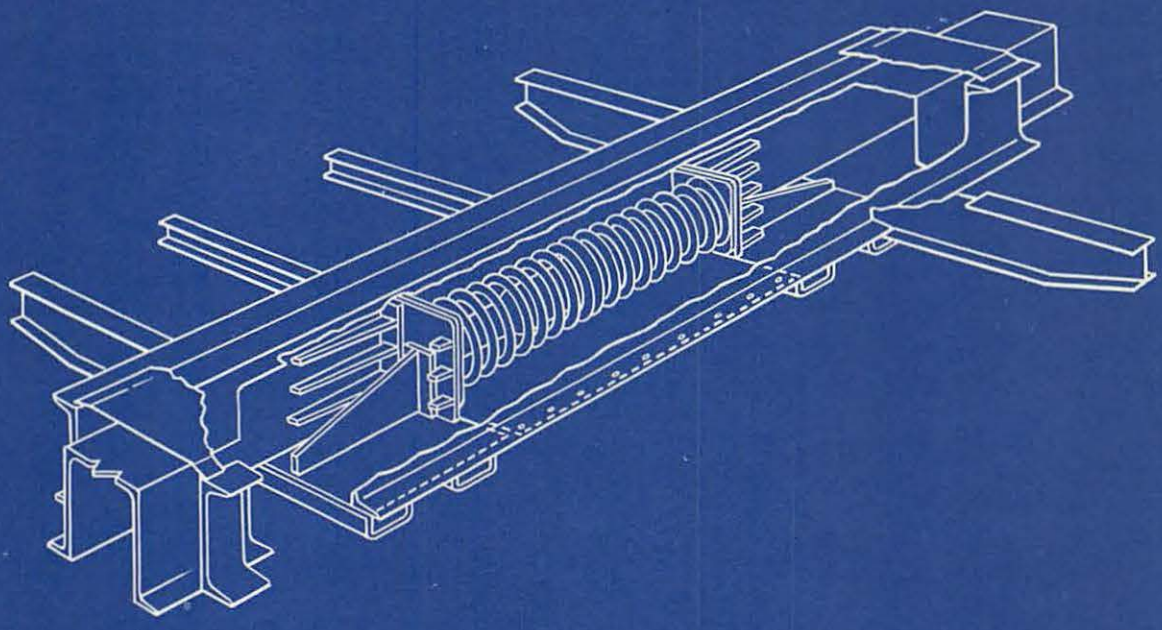
Pullman-



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With Hydroframe, you can buy just the degree of protection you want. It is available with either 20 or 30 inches of travel, in 50, 70 or 100 ton capacities. Or it can be customized to any specific capacity from 35 to 125 tons. In every size you get the cushioning protection that's been proven in 14 years of service and over 30,000 installations.

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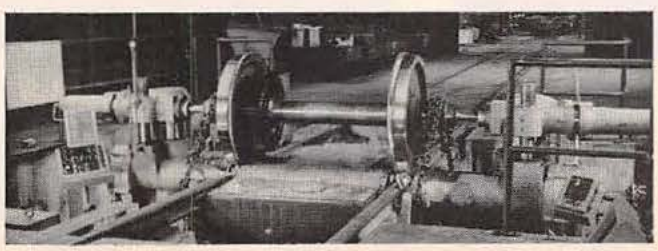
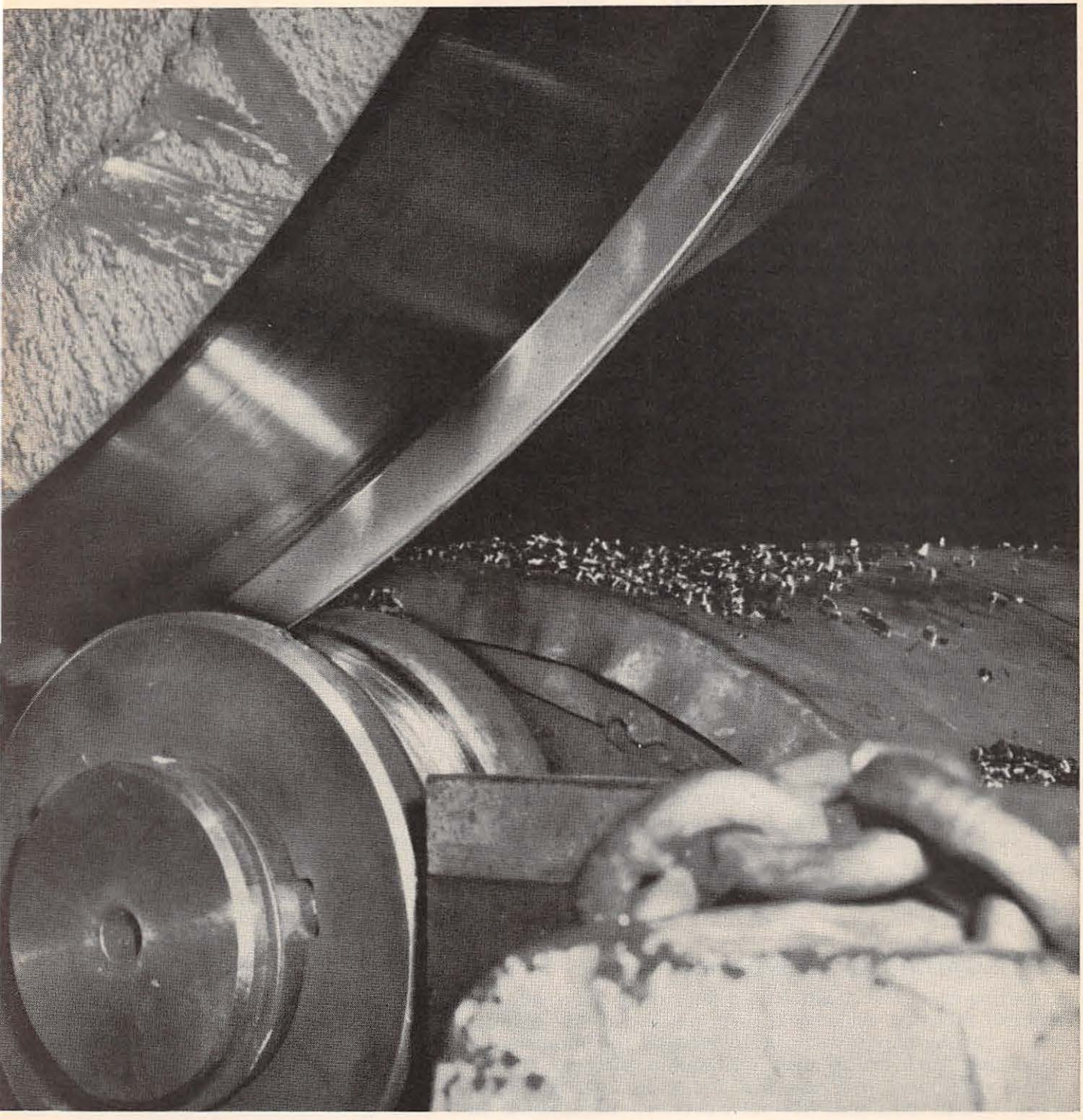


How many times can you reshape your rolling stock's wheels? Two or three times before they're shipped to the scrap pile?

Standard's Wheel Truing Machine can give you about 40% longer operating life from each wheel. Since it's a milling machine, it doesn't have to cut as deep as a lathe to true a wheel. So, each wheel can be reshaped four or five times. That has to save you big bucks in the cost of repurchasing and inventory.



instead of shipping 'em out

Saves you big dough in downtime and labor, too. Because wheels can be trued quickly right on the car, as well as in single units.

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Lines on Labor

GUS WELTY

"TWO STALLIONS, ONE COACH"

Every once in a while, you get to feeling rather lonely—talking about how rail management and labor are getting along better. Rail management and labor people are saying much the same things, to be sure, but outsiders tend to be skeptical. And maybe it's good for camaraderie, peace of mind and the digestion when an "outsider" really does know what's happening. In this case, he's William J. Usery, Jr., director of the Federal Mediation and Conciliation Service—maybe not a real outsider, since he came from the Machinists and since he has been deeply involved in past years in rail negotiations. But, with FMCS, Bill Usery really is on the outside, so far as railroads are concerned, and what he's saying takes on added meaning. He uses the coach-and-two imagery: "Labor and management are like two powerful stallions hitched to the same coach. If they do not pull together, the coach goes slowly if at all. But if they pull together, then the coach—in this case, the railroad industry—will go forward rapidly." Bill Usery thinks that the stallions are, in fact, pulling together.

LABOR RELATIONS? KNOW IT FOR WHAT IT IS

Listen to more of Usery: "We are coming to learn that in today's world, labor relations is nothing less than understanding and reason. Every union leader I know will concede that the greatest enemy of the working man is a management that doesn't turn a decent profit. By the same token, the greatest enemy of management is a union that suffocates the free movement of capital. Between these two points lies the very best that our free-enterprise system has to offer: Employment that provides the worker with a decent wage along with dignity on the job, combined with a fair and stable return to the investor. It's not a matter of profits versus people or people versus profits. In our cherished system of economic liberty, people and profits are interlocked—each dependent upon the other."

GETTING ALONG: IT TAKES DEDICATION

Reflecting upon the situation in a talk to the Association of Railroad Editors a while back, Usery noted that "the industry will be healthy only if we dedicate ourselves to continuing the responsible labor/management relationship that has been so carefully nurtured over the past few years." Of course, he touched on the possibility of trouble in current negotiations. He called a serious rail strike potentially a "tragic blow to the renaissance now in progress." as almost surely it would be. But he wasn't threatening, merely calling attention to a key factor "that both sides must take into consideration." For years, Bill Usery pointed out, railroads and unions "seemed dead-set upon having outsiders make the ultimate decisions. In recent years, that attitude has changed, and I believe it's a change in the right direction. It puts responsibility squarely where it should be. And it forces both sides to look at each other's problems more seriously." There are those on both sides who frown when Usery's name is mentioned—which may be all to the good, because there's a lot to be said for a mediator who is nobody's man. But, frowns notwithstanding, Usery makes sense. All-concerned, hopefully, think so, too.

USRA: Splitting up $150 million

Nearly one year after passage of the Northeast Rail Reorganization Act of 1973, very little money, out of the hundreds of millions authorized by Congress, has actually gone to the bankrupt and close-to-bankrupt carriers covered by the act. But substantial outlays for track and equipment improvements can be expected in 1975, with track getting the lion's share.

Section 215 of the act authorizes interim assistance of up to $150 million to rehabilitate railroad plants before the new Conrail system (or systems) which the United States Railway Association is planning actually come into operation. Out of applications totaling $344 million, USRA has so far approved only the Lehigh Valley's request for $3.4 million to finance the acquisition of 12 2,250-hp General Electric diesels. In its first annual report, released at a news conference in Washington Nov. 13, USRA said it would commit the entire $150 million by the end of 1975. Penn Central has asked for $275 million to cover a wide range of equipment and roadway projects. The Reading originally asked for $44 million to finance 1,750 freight cars and 30 diesels, but subsequently arranged the locomotive financing on its own and reduced its request to $36 million for freight cars. The Central of New Jersey asked for $21.3 million for locomotives, cars, and roadway, but USRA has determined that only certain terminal and port improvements may definitely be considered to be a part of the final system plan, and established a cost of $2.4 million for these improvements.

Section 213 of the act authorizes up to $85 million in emergency assistance to help bankrupt carriers keep essential services running pending completion of the final system plan. As of Nov. 13, the Department of Transportation under this provision had granted $20.5 million to Penn Central, $5 million to CNJ, $3 million to Lehigh Valley, and $79,000 to the Lehigh & Hudson River.

The big money in the Northeast Act is, of course, the $1.5 billion in loans authorized by Section 211. It can go to (1) Conrail, Amtrak and other railroads for purposes of implementing the final system plan; (2) state, local or regional authorities to assist them in acquiring or modernizing rail lines they elect to operate; and (3) connecting railroads which need help to avoid bankruptcy. Under the third provision of this section, the Rock Island has applied for $100 million and the Missouri-Kansas-Texas for $21 million. Decisions on both applications are anticipated within the next two months.

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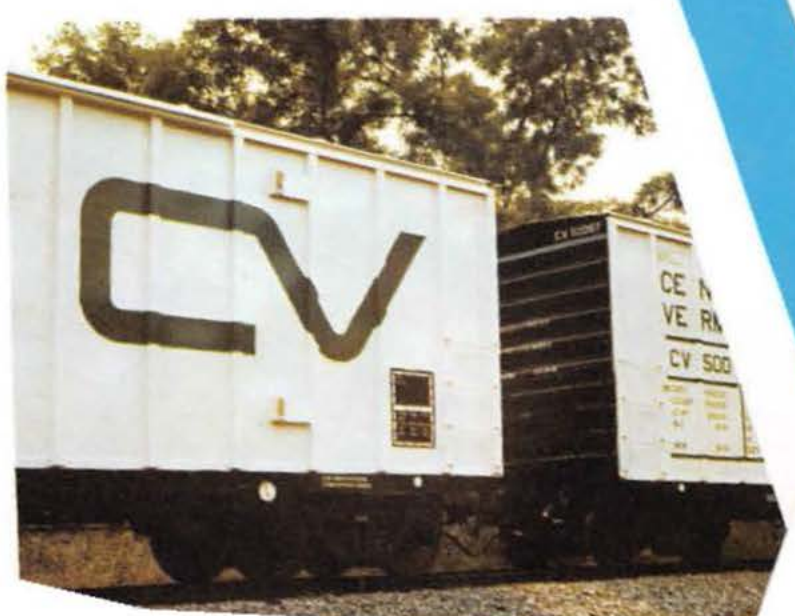
NEW CARS
REBUILT CARS
UNDERFRAMES
STRETCHED CARS



THE LEVERAGED LEASE concept, increasingly attractive to budget-planners, is being used in the financing of 10,000 box cars costing $250 million which the American Rail Box Car Co. is acquiring from five builders. The General Electric Credit Corp., which calls it the biggest railroad lease in history, is the beneficial owner of the cars. First units, built by ACF, were turned over to RAILBOX in St. Louis Nov. 7. GEC Photo by Mack Giblin

Budgeting for '75: New puzzles

By GUS WELTY, Senior Editor

For railroads in 1974 and 1975, accurate budgeting—for both capital and operating expenditures—is all-important. For railroads in '74 and '75, however, accurate budgeting borders on the impossible.

Inflation is the big reason—inflation and continuing, perhaps worsening, shortages of materials.

Planners can estimate prices. Planners can try to chart the course the economy is taking. Planners can attempt to assess the impact of a new labor settlement. Planners can tap the thinking of suppliers, in such areas as price, material availability, leadtime. Planners can crank in the output of government and private economists. Planners can look at revenue forecasts.

But with all the variables in the input, you can't blame the planner who spends an occasional sleepless night: His "plan" can be anywhere from right-on-the-button to 180 degrees out of phase—and millions of dollars riding on the closeness, the accuracy, of his forecasting.

At this point, the figures for 1974 are pretty clear. Railroad capital spending looks like a $1.6-billion proposition, up from $1.3 billion in 1973. Add in the expenditures of leasing companies and other private suppliers, including car lines, and the total comes to well over $2.4 billion, up by almost a half-billion dollars from '73 levels.

● **A late surge.** What the '74 figures seem to show is a sharp upturn in second-half expenditures in both major categories of capital spending—with actual first-half expenditures of $442.4 million for equipment and $213.8 million for roadway and structures, and indicated second-half spending of $672 million for equipment and $311 million for roadway and structures. Last year, by comparison, there was also a substantial jump in roadway/structures spending in the second half, but equipment expenditures actually dropped slightly.

As for maintenance spending, over the first six months of 1974, it climbed by more than 11%, to better than $2 billion. Maintenance-of-equipment accounted for 51.8% of the total, maintenance-of-way-and-structures for 48.2%.

For 1975, dollar totals for both capital and operating expenditures will inevitably be higher. But there is a serious question as to how much those additional dollars will actually be buying—since, for instance, it is estimated that the average freight car delivered next year may cost as much as 50% more than the car delivered last year; and since, for instance, maintenance programs will also be hit by higher material and labor costs.

● **Needed: More answers.** On the capital side, a number of questions can be raised concerning the single most important item in budgets: Freight cars.

Cost-escalation is a fact which could be illustrated in a number of ways—perhaps best through the experience of Railbox, which talked first of a 10,000-car fleet costing $180 million and later upped the figure to $230 million and then to $250 million. But:

—What about order-levels? Will they stay high, or is the 1973-74 period just another peak to be followed by another valley? With a few exceptions, railroads seem to believe that what's happening is more high-plateau than "peak" as such—that orders will in fact continue at a high level. Knowledgeable people in the leasing business are also looking for a continued high demand-level.

—Who's going to be putting up the money for cars? Are car "ownership" patterns changing and, if so, how much? Certainly, railroads are stepping-up car programs, as figures for the past couple of years indicate. But, it's interesting to look at current statistics on freight-car installations and backlogs: For example, through the first eight months of 1974, 43,530 new cars were installed—of which 20,237 were reported as Class I railroad; for example, of a backlog at that point of 95,000-plus cars, roughly 38,000 cars were reported as on-order by Class I carriers. The latter set of figures could be somewhat misleading, since it may include cars on a space-reservation basis; but the first set, actual installations, shows rather clearly the impact which leasing and "private" car-acquisition programs are having on the makeup of the fleet.

CV

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NEW CARS
REBUILT CARS
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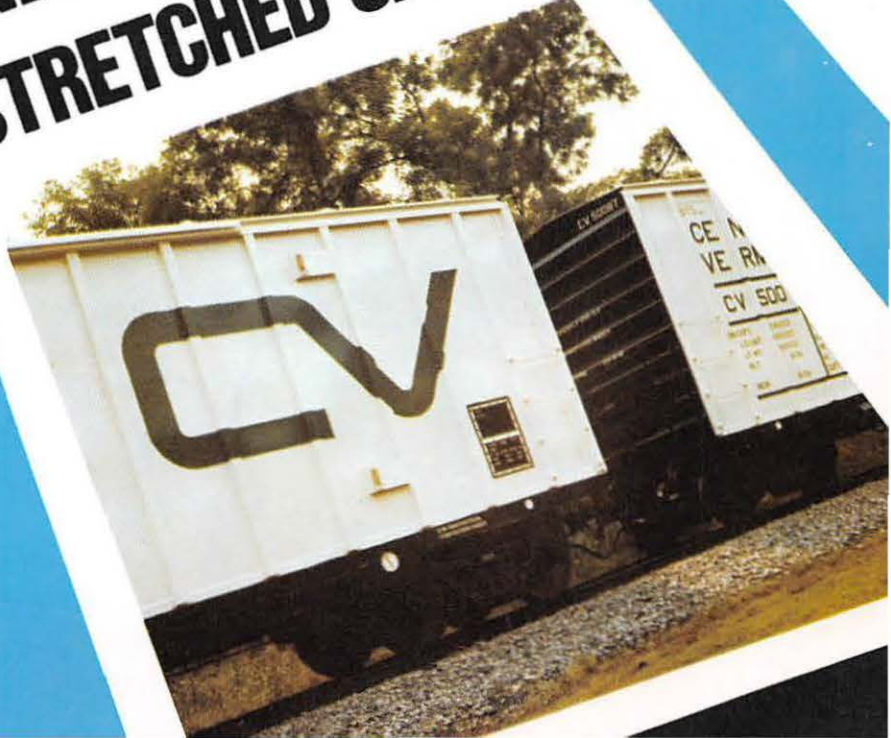

Berwick Builds New Box Cars for CN, CV and GTW

Shown leaving Berwick, Pa., are the first of 380 new box cars built by Berwick for the Canadian National Railways and two U. S. lines. These 50′-6″ 100-ton XM cars include 180 for the Canadian National and 100 for the Central Vermont Railway, Inc. The CV cars shown reflect the use of a distinctive color scheme using Vermont's state color.

The CV and CN cars are being acquired with incentive per diem funds. An additional 100 70-ton 50′-6″ XP cars for the Grand Trunk Western Railroad are equipped with load restraining devices. All cars feature single sheath, outside stake construction, with 15″ end-of-car cushioning.

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'74 earnings so far: Good news and not-so-good news

With the effects of a coal strike still to be measured, and the national economy plunging deeper into recession, nobody knows—and smart men won't even guess—what will happen to railroad earnings in fourth quarter '74. But third-quarter results are now in, and the news is mostly good.

On the bottom line, Class I railroads as a whole reported net (ordinary) income of $242.4 million in the third quarter, up from $83.5 million in the third quarter of 1973. This brought net income for the first nine months of '74 to $592.9 million, an increase of $236.1 million over the comparable 1973 period. (For the entire calendar year 1973, net income amounted to $555.2 million—so 1974 has exceeded that figure by a wide margin, with three months to go. This year's nine-months net is, in fact, more than the railroads have earned in any full calendar year since 1966.)

But in these days of double-digit inflation, things financial are rarely what they seem—and this rosy picture is no exception.

In announcing third-quarter and nine-months figures on Nov. 12, the AAR's vice president of economics and finance, William F. Betts, called the earnings increase "most encouraging" but pointed out that it is not really as encouraging as it might appear to be at first glance. Betts made these points:

—"The industry's rate of return for the 12 months ended Sept. 30 was 3.71%—considerably short of the 10% the railroads need to keep up with the upward cost spiral and establish an adequate financial base."

—"If the railroads earned the same net operating income for the next three quarters as they did in the third quarter, the rate of return for the resulting 12-month period would come to only 4.40%."

—This year's net income in real dollars has "fallen far short of recovering even to the modest levels of earlier good years, when lower costs of capital made lower rates of return more acceptable." Pointing to 1955 and 1966 as two "good years" (when net earnings were $903.8 million and $927.1 million, respectively), Betts noted that net income in the third quarter of 1973 was equal to that of 1955 on a current dollar basis, but was only 53% of the 1955 amount in terms of purchasing power. And while third-quarter 1974 net income also appeared to exceed that of the third quarter of 1966, it was actually 30% less in terms of real dollars.

Even so, railroad men, recalling such lean years as 1970, when income sank to $226 million, found the report to be, indeed, "most encouraging."

CLASS I RAILROADS IN THE UNITED STATES

For the Third Quarter

Millions

	1974	1973	Increase
Operating revenues	$4,392.4	$3,635.8	$756.6
Operating expenses	3,322.0	2,899.1	422.9
Tax accruals	483.8	323.1	160.7
Rents (net debit)	278.2	250.0	28.2
Net railway operating income	308.3	163.6	144.7
Net income (Ordinary)			
United States	242.4	83.5	158.9
Eastern District	28.9	Def. 48.0	76.9
Southern District	60.3	37.7	22.6
Western District	153.2	93.7	59.5
For the Nine Months			
Operating revenues	$12,622.5	$10,890.2	$1,732.3
Operating expenses	9,677.0	8,582.9	1,094.1
Tax accruals	1,370.3	970.7	399.6
Rents (net debit)	811.2	757.8	53.4
Net railway operating income	764.1	578.8	185.3
Rate of Return*	3.71%	2.97%	–
Net income (Ordinary)			
United States	592.9	356.8	236.1
Eastern District	Def. 17.5	Def. 103.7	86.2
Southern District	183.2	150.1	33.1
Western District	427.2	310.4	116.8

Def. - Deficit

* - Rate of return for 12 months ended September 30

A sampling of individual-railroad performance in the first nine months:

—Boston & Maine had its first profitable quarter since 1965, reporting a third-quarter net of $833,000 vs a loss of $2.1 million in the year-ago period. B&M's loss for the nine-month period was $2.2 million, down 70% from 1973.

—Burlington Northern's nine-months 1974 net income was $65.2 million, compared with $25.4 million in the 1973 period.

—Erie Lackawanna reported a nine-month deficit of $11 million on a fully accrued basis, compared with a deficit of $12.4 million in 1973.

—Milwaukee Road's net income of $10 million in this year's first three quarters was up from $8.7 million in 1973.

—Norfolk & Western posted system consolidated earnings of $88.6 million, an all-time record, up from $49.3 million in the first three quarters of 1973.

—Penn Central Transportation Co. recorded a net loss for 1974's first three quarters of $124.8 million, compared with a loss of $147.9 million in the comparable 1973 period. (Penn Central trustees coupled their announcement with the observation that "management forecasts an adequate cash flow for the railroad to the end of 1974, but warns that this could be affected seriously by a coal miners' strike and possible work stoppages in other basic industries and by continued inflation and other negative economic factors.")

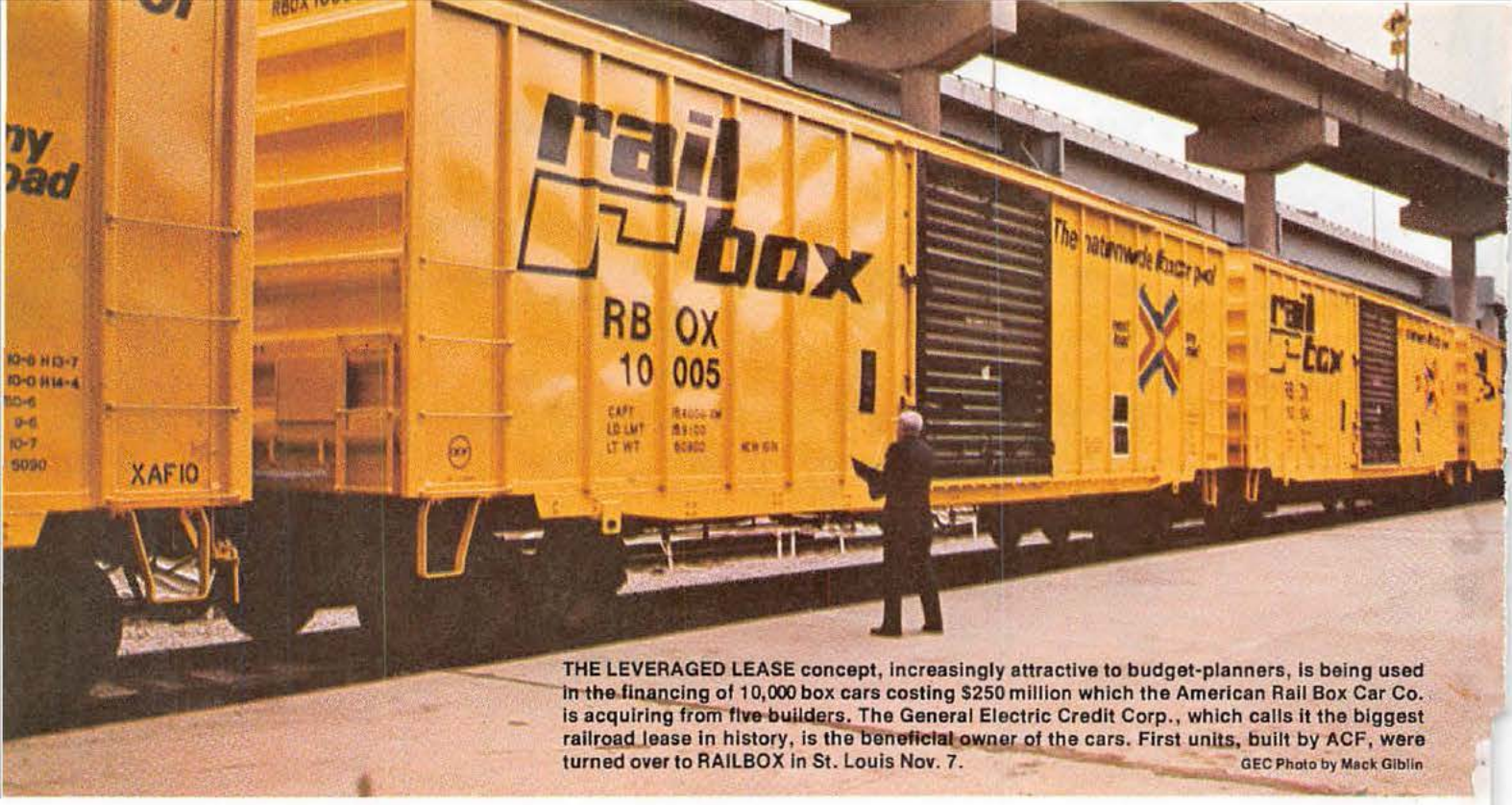
—Santa Fe Industries reported three-quarter 1974 net income of $92.6 million, vs $69.2 million in the 1973 period.

—Seaboard Coast Line Industries had consolidated net income of $69.4 million for the first three quarters, an increase of 49.2% over the $46.5 million earned in the 1973 period.

—Southern reported consolidated net income of $71.8 million for this year's first three quarters, a record for any nine-month period, compared with $52.7 million in 1973.

—Southern Pacific Co.'s net income for the first nine months was $85.1 million, up 40% from the $61 million reported for the same period a year ago. (SP President Benjamin F. Biaggini commented: "Gains in operating revenues came principally from increases in railroad freight rates, with better traffic results noted particularly from chemicals, canned goods, paper and pulp, coke, scrap metal and other waste materials, and crude petroleum, which Southern Pacific is handling this year in unit trains.")

—Western Pacific Industries had net consolidated income of $4.2 million in this year's first nine months, up from $2.3 million last year.



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Inflation is the big reason—inflation and continuing, perhaps worsening, shortages of materials.

Planners can estimate prices. Planners can try to chart the course the economy is taking. Planners can attempt to assess the impact of a new labor settlement. Planners can tap the thinking of suppliers, in such areas as price, material availability, leadtime. Planners can crank in the output of government and private economists. Planners can look at revenue forecasts.

But with all the variables in the input, you can't blame the planner who spends an occasional sleepless night: His "plan" can be anywhere from right-on-the-button to 180 degrees out of phase—and millions of dollars riding on the closeness, the accuracy, of his forecasting.

At this point, the figures for 1974 are pretty clear. Railroad capital spending looks like a $1.6-billion proposition, up from $1.3 billion in 1973. Add in the expenditures of leasing companies and other private suppliers, including car lines, and the total comes to well over $2.4 billion, up by almost a half-billion dollars from '73 levels.

● **A late surge.** What the '74 figures seem to show is a sharp upturn in second-half expenditures in both major categories of capital spending—with actual first-half expenditures of $442.4 million for equipment and $213.8 million for roadway and structures, and indicated second-half spending of $672 million for equipment and $311 million for roadway and structures. Last year, by comparison, there was also a substantial jump in roadway/structures spending in the second half, but equipment expenditures actually dropped slightly.

As for maintenance spending, over the first six months of 1974, it climbed by more than 11%, to better than $2 billion. Maintenance-of-equipment accounted for 51.8% of the total, maintenance-of-way-and-structures for 48.2%.

For 1975, dollar totals for both capital and operating expenditures will inevitably be higher. But there is a serious question as to how much those additional dollars will actually be buying—since, for instance, it is estimated that the average freight car delivered next year may cost as much as 50% more than the car delivered last year; and since, for instance, maintenance programs will also be hit by higher material and labor costs.

● **Needed: More answers.** On the capital side, a number of questions can be raised concerning the single most important item in budgets: Freight cars.

Cost-escalation is a fact which could be illustrated in a number of ways—perhaps best through the experience of Railbox, which talked first of a 10,000-car fleet costing $180 million and later upped the figure to $230 million and then to $250 million. But:

—What about order-levels? Will they stay high, or is the 1973-74 period just another peak to be followed by another valley? With a few exceptions, railroads seem to believe that what's happening is more high-plateau than "peak" as such—that orders will in fact continue at a high level. Knowledgeable people in the leasing business are also looking for a continued high demand-level.

—Who's going to be putting up the money for cars? Are car "ownership" patterns changing and, if so, how much? Certainly, railroads are stepping-up car programs, as figures for the past couple of years indicate. But, it's interesting to look at current statistics on freight-car installations and backlogs: For example, through the first eight months of 1974, 43,530 new cars were installed—of which 20,237 were reported as Class I railroad; for example, of a backlog at that point of 95,000-plus cars, roughly 38,000 cars were reported as on-order by Class I carriers. The latter set of figures could be somewhat misleading, since it may include cars on a space-reservation basis; but the first set, actual installations, shows rather clearly the impact which leasing and "private" car-acquisition programs are having on the makeup of the fleet.

For 1974, capital expenditures soar

Class 1 railroads	Second half, 1974*	First half, 1974+	Total, 1974	Total, 1973
Equipment	$672,000,000	$442,400,000	$1,114,400,000	$892,690,000
Roadway and structures	311,000,000	213,800,000	524,800,000	449,448,000
	983,000,000	656,200,000	1,639,200,000	1,342,138,000
Leasing and other "private" companies#			800,000,000	600,000,000
			2,439,200,000	1,942,138,000

*-Indicated +-Actual #-Estimated

for the planners

—What types of cars are most in demand, and why? Who is building them? Over-all, the order backlog as of Sept. 1 stood at 93,786 cars, with 81,918 coming from carbuilders' facilities and 11,868 from railroad shops. Reflecting the demand for coal-carrying capacity, open-top hopper cars accounted for 25% or more of the total backlog, with covered hopper cars and box cars running about even in second-place. Since about 40% of the open-tops were scheduled for railroad shops, commercial builders showed covered hopper cars and box cars biggest on their list, followed by open-top hoppers, gondolas and tank cars. Chessie System, with 7,000 open-tops scheduled, accounted for more than half of the railroad-shop backlog: Pullman-Standard had better than 25% of the contract-shop backlog, followed by ACF Industries, Greenville Steel Car, Bethlehem Steel, Thrall Car, Pacific Car & Foundry, Berwick Forge & Fabricating, FMC's Rail and Marine Equipment Division, North American and Union Tank. (Reporting were six railroads and a private car line and 18 commercial builders.)

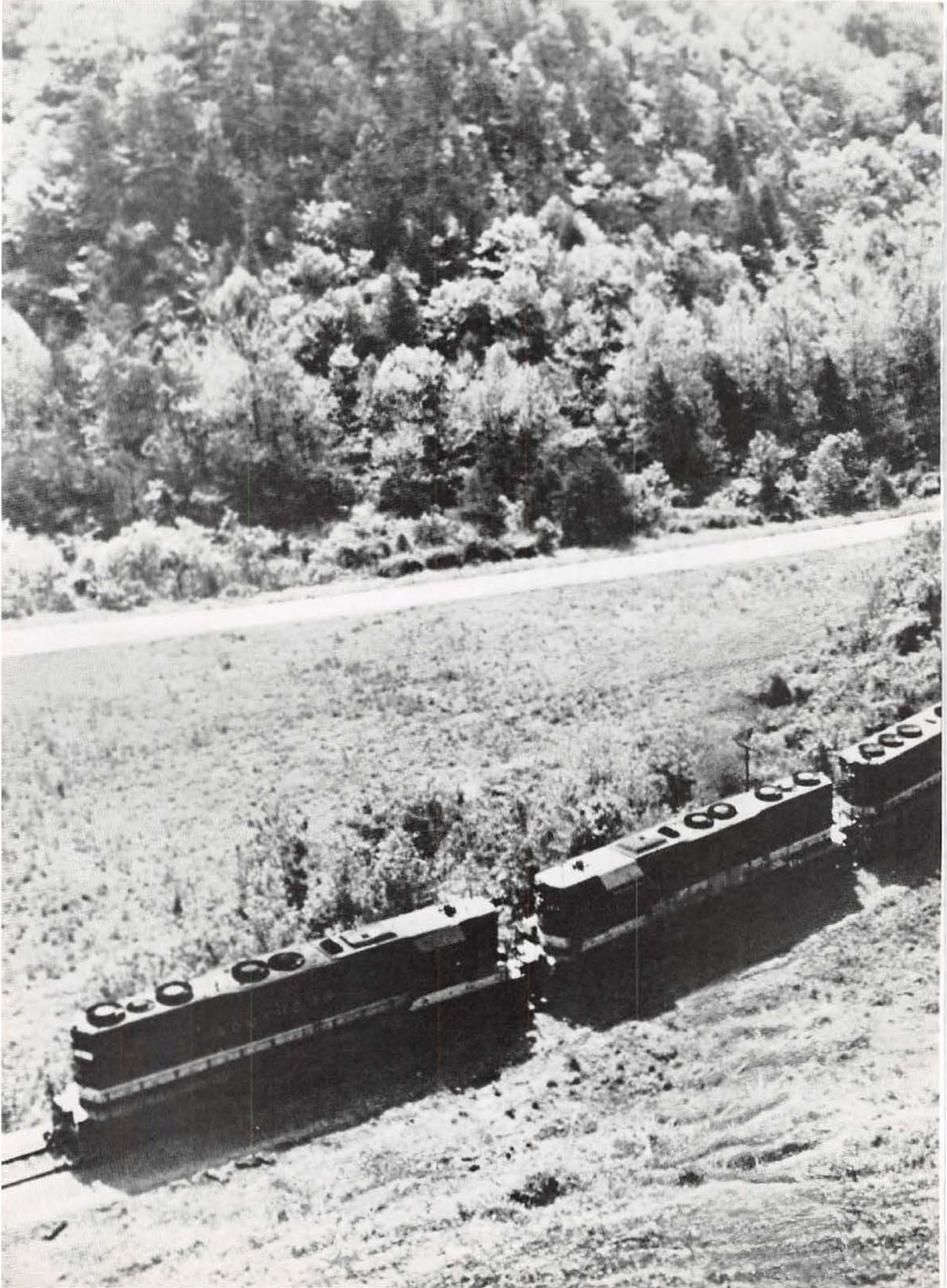
—Is the supply industry geared up to meet the demand? And if not, why not? Answer No. 1 almost has to be "No." Answer No. 2 is a can of worms bordering on a barrel of snakes. As matters stand, it has been estimated that carbuilder-capacity is somewhere in the neighborhood of 75,000-to-80,000 new cars per year—but that practical capacity, taking into account such things as material shortages, is 65,000 units or so. The backlog, remember, was more than 81,000 cars as of Sept. 1, which means that new orders—theoretically, at least—get year-later delivery. Now, consider specialization, and the makeup of the backlog. Of a dozen-and-a-half contract builders, one had orders for five of the seven basic types of freight car, one had orders for four; ten were working on flat cars, seven on box cars, five on tank cars, gondolas, open-top cars, and four on covered hopper cars. In other words, there may be 18 companies building freight-train cars—but, several of the 18 are extremely specialized as to car-type capability, and a number have extremely limited production capacity. For their part, railroads are not happy with the situation: Most seem to believe that the supply industry needs greater capacity, all the way down the line. But for their part, suppliers are hard to fault: They've seen a "boom" before, as recently as the mid-1960s, when orders sky-rocketed and established builders expanded and new people came into the business—and what followed, in the late '60s, could best be described as a bloodbath.

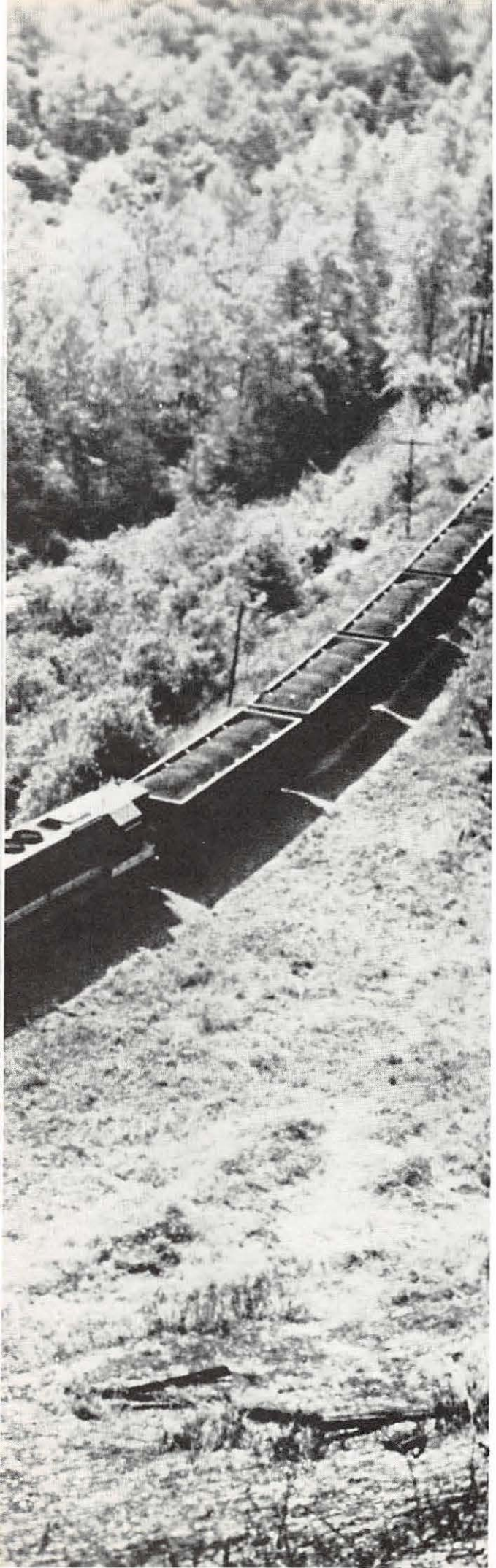
—In the cars being built, what kind of quality is being built-in? Are freight cars better, or just more expensive? Well, freight cars have always been built to last "forever." But, credit Trailer Train, its owners and its suppliers for proving that it is indeed possible to build a long-life/high-mileage/low-maintenance railroad freight car. The same philosophy has gone into Railbox—which, even in view of inflation, is still spending an awful lot of money for cars with no special cushioning, sliding doors and nothing special inside except nailable steel flooring. Credit, too, the carbuilders generally; new designs and design modifications are being based to an increasing extent upon the twin goals of better utilization and lower cost for upkeep. One of the best recent examples: The new P-S open-tops, with design and sales approach based precisely upon these factors.

● **What the indices show.** Now, after looking at these points regarding the big-ticket item in spending, the freight car, look at the total picture which the planners have to look at:

—First, inflation. On a basis of 1967=100, the 1974 railroad index estimate stands at 186.7 for total labor costs and 186.5 for labor costs and material prices. On fuel alone, the index figure was 117 in 1972, 136 last year and 271 as a preliminary figure for '74. In a year's time, by AAR figures, rail has gone up by 36%, crossties by 40%, steel wheels by 48%. (By contrast, spikes are a bargain—up by 31%.)

—Then, the state of the economy generally. Late last month, the Federal government reported that its "early warning" system on the economy dropped more sharply than those same indicators had fallen in the past 23





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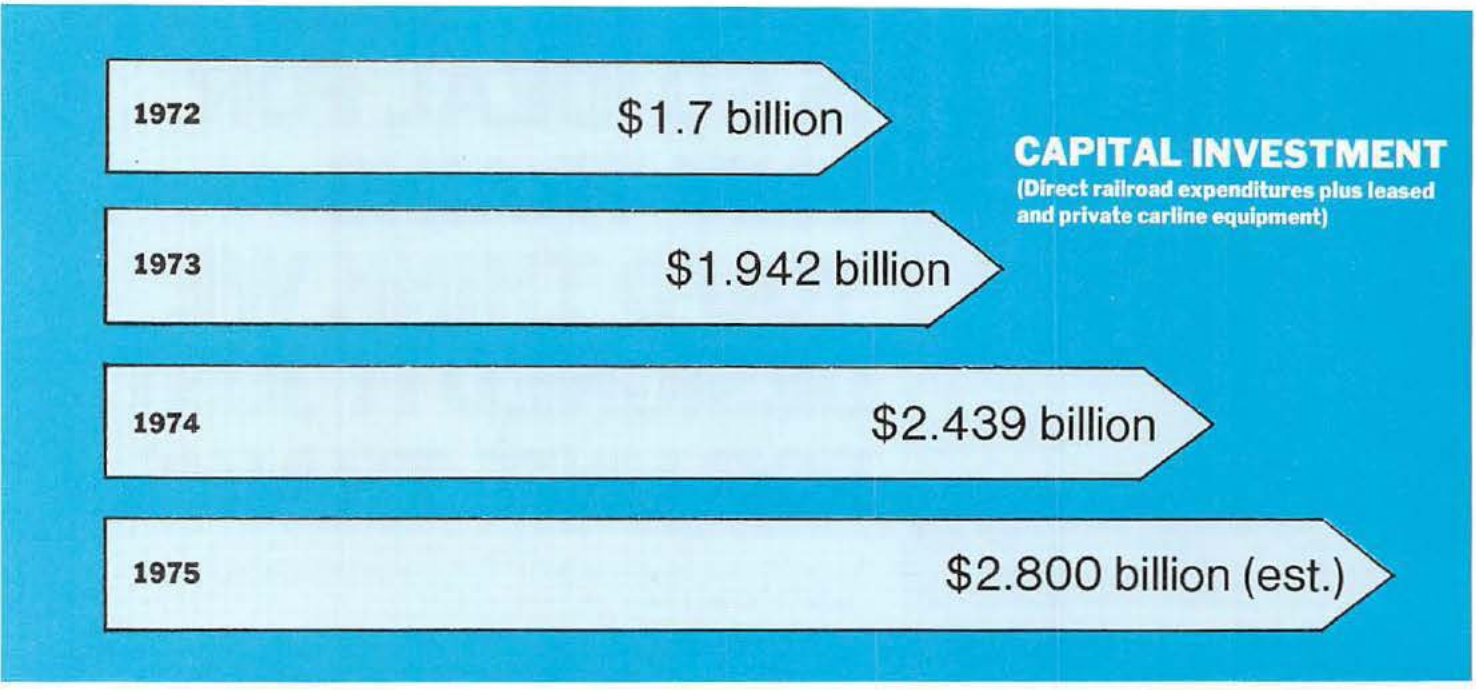
The '75 forecast: Capital spending may climb by 15%; maintenance spending will show another sharp increase



years. The U.S. Commerce Department's index of "leading indicators" fell by 2.5% in September, and that was the biggest downside figure since mid-1951. At the same time, while a number of economists were looking at today as a recession, some called it more than that—though there were not all that many direct comparisons that could be made between 1974 and the onset of the Great Depression.

—Then, productivity. Indices vary, industry to industry, but in the period between July and September, the Bureau of Labor Statistics reported, productivity fell by an annual rate of 3%. Labor costs, meanwhile, were rising—though not so much as during second-quarter 1974 after Federal controls were lifted.

—Then, rail indices. Through 43 weeks this year, carloadings were down by almost 1.5%, ton-miles were up by less than 2%. There were sharp fluctuations in loadings—for example, grain down more than 13%, other farm products down by almost as great a percentage, coal up by more than 6%, motor vehicles and parts down by more than 16%, forwarder and shipper-association traffic up by almost 10%. Piggyback, significantly, was up by less than 2% in both carloadings and trailer/container loadings, and the TOFC/COFC figures would have looked even worse had it not been for an upsurge in mail/express traffic.

—Then, labor costs. For 1975, they are still unknown. Pragmatic men, in both management and labor, know that part of the package has been delivered, in the form of Congressional approval of legislation restructuring the Railroad Retirement system and Congress' overriding of President Ford's veto. The hunch is that the eventual contract settlement dealing with current demands will cover direct money issues, wages and perhaps an escalator. But some unions have come in with demands that reach farther, and that's a problem that may be tough for the involved unions to handle. These demands—peripheral, if not frivolous, may have to be swallowed, and they may seem like golf balls going down the gullet. But sometime, labor—leaders as well as rank-and-file—has to know that Santa doesn't bring everything on the list.

—Finally, government. In essence, the groundwork has been laid for passage of sound transportation legislation in both House and Senate; bills have in fact been passed in one chamber or the other; but, nothing final has happened. And, nobody is quite ready yet to forecast the attitude of the new Congress, after the upheaval in this year's November elections. Makeup of the Senate Commerce Committee didn't change; makeup of the House Committee on Interstate and Foreign Commerce did, somewhat. The problem, if there is one, is that House-based legislation affecting railroads has tended to be somewhat more practical than that which the Senate has embraced. As for the Executive Branch, FRA's administrator is gone and the persistent rumor is that DOT's secretary is going—and the gut feeling is that the President and his advisors do not yet regard DOT as a major element in government; if that estimate of Fordthink is accurate, then there could be trouble ahead not just for transportation but for the nation as a whole.

● **Looking ahead.** That's a long prologue for an estimate of railroad and rail-related spending for 1975, but it's a necessary one in view of today's conditions.

And what *is* the '75 estimate? That capital spending may climb by 15%, and that maintenance expenditures will show another sharp dollar increase.

Several factors enter into the forecast:

—The continuing effects of inflation.

—The impact of orders already on the books.

—Continuing pressures for stepped-up maintenance of both equipment and roadway-and-structures.

—Reluctance of railroads to cancel orders already placed. It is true that there have been some cancellations, and there would undoubtedly be more pullbacks if the economy really dives and takes rail traffic and revenues with it;

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"Leasing plans have become more sophisticated. As one observer points out, leasing has now become respectable"

but, while the facts of rail finances demand that the carriers react quickly to change, the state of the equipment backlog is such that roads canceling out may have a long wait when they do decide to get back in line.

—The increasing impact of leasing, especially leverage leasing. Years ago, "leasing" was regarded as something you did if you couldn't afford to do anything else. Today, that has changed. Leasing plans have become a lot more sophisticated and, as one observer points out, leasing is now "respectable."

—The simple fact that railroads themselves, for the most part, believe that budgets will stay on the upside—partly because of inflation, to be sure, but also because needs for both equipment and fixed-plant improvements are being recognized as needs that cannot be ignored.

This time around in budget-planning, the available figures are less hard than they were a year ago. A number of major roads—many of which almost always rank at or near the top in capital spending—have yet to secure final approvals for budgets. Among them: Southern Pacific, Santa Fe, Burlington Northern, Union Pacific, Illinois Central Gulf. Reasons for this may vary from road to road—but one reason could be illustrated by the Railbox experience: Estimates made just a few months ago, matching equipment to be acquired against monies available, may today be something less than 100% accurate.

● **What the plans call for.** Still, the process has been completed by a good-sized group of carriers, and their projections bear out the upside forecast:

—For Missouri Pacific, '75 will be another record year, with capital expenditures now estimated at about $137 million (and with orders totaling $100 million already placed for freight cars and locomotives). This year, spending is estimated at $115 million, up from $59.3 million in 1973 and a record-high for MoPac until '75 budgets were worked out.

—Chessie System will be up even more sharply, from $33 million this year to an estimated $140 million in 1975. Of that total, about $120 million will go for equipment.

—Rio Grande plans expenditures of $40 million, an 80% increase from 1974 spending levels.

—Norfolk & Western, which boosted expenditures from $63.6 million in 1973 to an estimated $101 million this year, will hold at about $101 million in '75.

—ICG's plans are not yet definite, but proposals look toward a figure somewhat higher than the originally-announced $100-million-plus plan for 1974, which was itself a 25% jump from actual 1973 spending.

—Penn Central? Despite the undeniable need for plant and equipment improvements, PC sees itself unable to budget higher than it did in 1974, in other words in the $15-to-$20-million range.

—Milwaukee Road increased its capital budgets by about 65% in 1974 and will cut back by about 25% next year. Both the increase and the following decrease are primarily related to equipment programs.

—Southern will post record-high expenditures of approximately $175 million in 1974. Totals for '75 are expected to be somewhat lower but it's not yet known how much lower.

—Frisco, which budgeted for a 63.3% increase in 1974, will be down next year but only by about 3%.

● **Equipment vs plant.** Do these spending plans reflect a change in the split between equipment and plant? In some cases, they do:

—MoPac's budget calls for somewhat greater emphasis on equipment. But "we have spent heavily on track in the past 12 years, putting it in excellent condition."

—Capital budgets on Chessie, 1973-74, have been weighted about 2-to-1 in favor of equipment, and the spread will be much greater next year.

—NW reports a "somewhat higher—but not much higher—percentage for equipment in the '75 mix."

—On Southern, fixed-plant expenditures will account for 36% of the total this year, compared with 42% in 1973 and 47% in 1972; "in the three years before that, expenditures for equipment exceeded those for fixed-plant by about 3-to-1."

—Frisco runs counter to the more-for-equipment trend, if in fact you can find a trend in the reports of a relatively few roads. Frisco's budgeting for fixed-plant went from 36.8% in 1973 to 39.2% this year and the estimate for '75 is 44.9%. Generally, the road says, "the somewhat greater proportional allocation to fixed-plant will continue."

As to whether budget-planners can expect to continue working with huge figures, most roads seem to be saying "Yes," but there's a "No" from PC and a forecast from NW that 1974-75 may represent the peak, Even on the "Yes" side, there are qualifications. One can be summed up by Frisco's comment: "Yes—if freight-rate levels keep pace with the need to cover inflated costs and provide sufficient additional funds for capital expenditures, that is, if carriers are allowed to earn a reasonable rate-of-return." Another is expressed by Southern: "Yes—assuming that equipment and material can be produced and delivered by suppliers in the year budgeted."

● **Can it be done?** On that latter point—the present capability of the railway supply industry—a cross-section of the railroad industry offers a number of comments:

—Southern: Capacity of equipment suppliers "appears inadequate to meet both existing and foreseeable needs."

—Frisco: Capability "is probably sufficient if a sustained purchase policy can prevail based upon income stability, this opposed to the feast-and-famine conditions which have frequently existed."

Missouri Pacific: "Under present circumstances, production capacity does not appear adequate to meet our needs in several basic and essential areas."

—Chessie: "Although industry shortages currently exist for equipment parts, we are beginning to see some easing of the supply problem. Due to the feast-or-famine nature of industry buying, it is probably unrealistic to expect greatly-increased capacity. However, in the m/w area, expenditures will probably increase over the long-run and the supply industry should anticipate the additional demand."

—Rio Grande: "The capability of the supply industry may not be adequate for the supply of future needs in equipment and steel products."

—Norfolk & Western: "Most segments are adequate, but some segments—in heavy castings, for example—are in need of moderate expansion."

—Penn Central: Production capability is "not adequate in many areas, including freight-car wheels, castings, couplers, forgings, welding wire and fasteners, just to mention a few."

—Milwaukee Road: "We have had difficulty in obtaining delivery of materials particularly from the steel industry, which might be interpreted to mean inadequate supply capacity. It may not be that simple, however, because railroad suppliers must have a long-range economic incentive to meet the railroad industry's needs. This may come when there is a resolution of the many restrictions on the railroads which limit their ability to compete with other modes."

—AAR President Stephen Ailes: "Neither the railroad industry nor the suppliers can afford anything less than a

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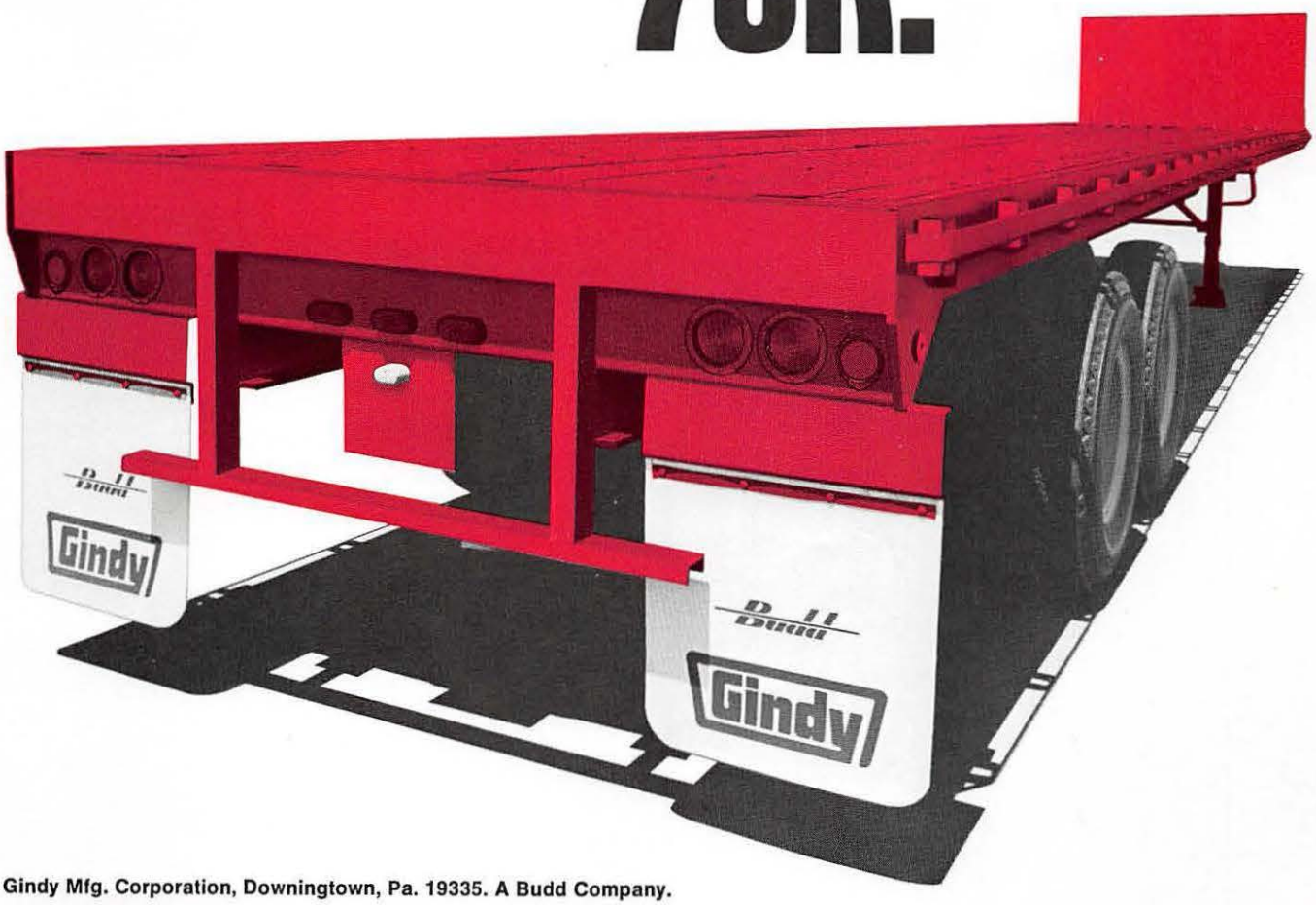

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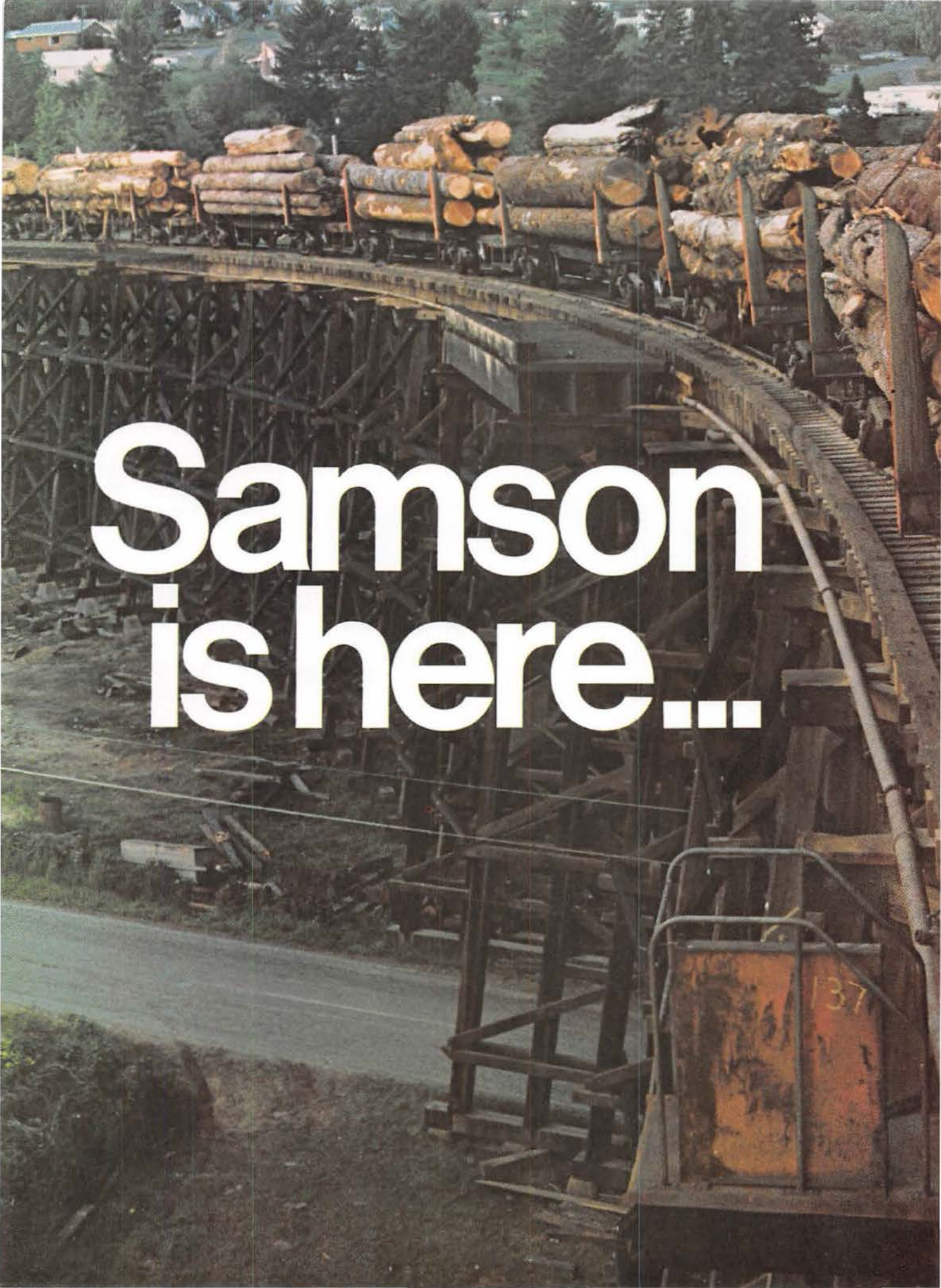
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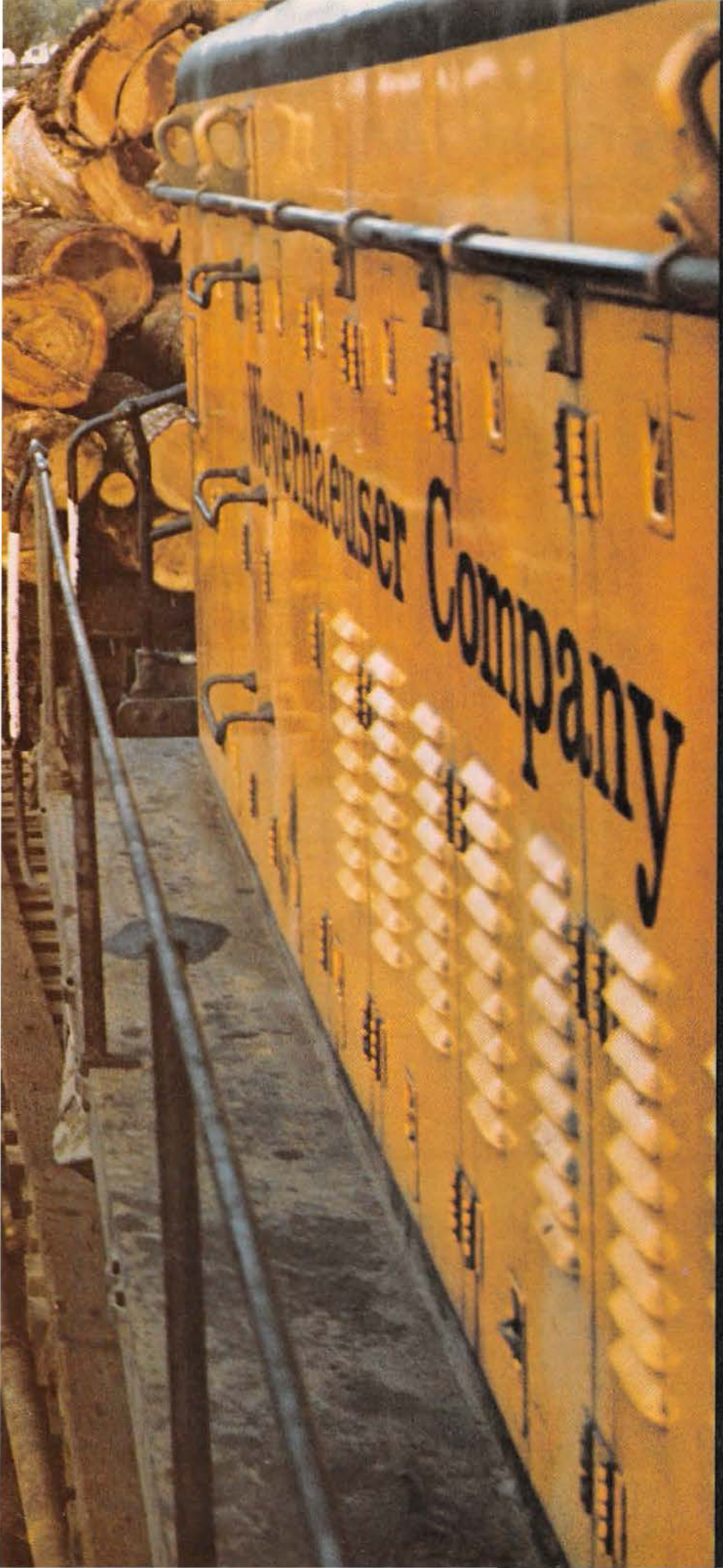

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major concerted effort to increase production of rail equipment and materials and to curb inflation. We must find ways to produce far more in the next five years than in the past five years."

For the supply industry's part, improvements have indeed been made. Carbuilders, for instance, have made modest expansions and rearrangements of facilities which permit added production capability. In the component-supply area, perhaps the most recent bits of good-news are Amsted's plans for boosting capacity of its American Steel Foundries Division plant at Granite City, Ill. and building a new wheel plant at Keokuk, Iowa. These proposals are subject to approval by Amsted's directors—but if they win the OK, early 1976 will see an increase in the ASF facility's production of side frames and bolsters of about 20%, to 47,000 car sets per year, and the new Griffin Wheel Division plant will be in operation a year later.

● **More dollars coming?** There are, of course, other factors working in the over-all railroad market. Amtrak will be accounting for tens of millions of dollars in capital expenditures; the Federal government may have shown some initial reluctance to get involved, but once it did, it did: Amtrak seems to be getting not just what it's been asking for, but more. Then, there's the rail-transit market; and, while Washington still shows a certain amount of resistance to the exploitation of rail's potential in unchoking major cities, it's only a matter of time until the planners realize that there's really no other way—assuming, of course, that new systems do in fact showcase rail transit's advantages.

Finally, there is the Northeast. Nowhere is money more needed, for capital improvements; nowhere is less money being spent. Legal untangles remain to be unraveled; if they can be, a flood of money can be released for the betterment of properties which have gone for so long without much betterment—and in the meantime, a capital budget of $15-to-$20-million for Penn Central is nothing short of ludicrous, nothing short of tragic at the same time. Logic says that it's inconceivable that government will allow the Northeast situation to continue; one way or another, basic rail transportation has to be continued—and that means that eventually, some way, somehow, tens and hundreds of millions of dollars have to be put into Northeast improvement programs.

With all the variables affecting the making of railroad budgets—capital and operating—these are not the easiest of times for railroad planners or for the suppliers who will be affected by railroad planning. But then: When were budget times *ever* easy?

Budgeting for '75:

For money-managers, the

By RICHARD M.M. McCONNELL
Washington Editor

Budget planning in the United States—whether it's for families or corporations—hinges more and more on actions taken or avoided by the Federal government, and railroad budget planning is no exception.

Uncle Sam's involvement in the railroad business is now so massive and so varied that it is close to impossible to paint the 1975 budget picture without focusing first on the different levels of Federal fiscal activity affecting the flow of railroad dollars. Right now, that focusing is hard to do.

● **Suspended animation.** In the first place, historical Federal ambivalence towards railroads is being reinforced right now with a lot of "ifs." The whole Federal government is in a state of suspended animation as far as the railroads go, and it's going to take a while for the system to get going again.

For example:

—In the executive branch, the Federal Railroad Administration is presently without an administrator. Will there be a new one soon? Or will the Administration hold off on the FRA appointment until there is a new Secretary of Transportation? That office isn't even vacant yet, but no one doubts it soon will be. And the United States Railway Association just got a mandate to postpone all its activities four months.

—In Congress, things are no better. Railroad legislation that has been stalled for months now faces the mood of a lame duck session. Will all those Congressmen who are going to be out of a job come January knock themselves out passing railroad legislation? Not likely. Moreover, when the new Congress does get seated, it will take time to deal with committee assignments, staffing, and similar housekeeping details. That means more delay. Even when the 94th Congress gets to work, it will be working without one of the real railroad activists the 93rd Congress had, Montana's Rep. Dick Shoup, a casualty of the Democratic landslide in the House.

—Even the courts are contributing to the uncertainty of the industry's future. The Supreme Court has yet to rule on the constitutionality of parts of the Regional Rail Reorganization Act, and until the high court makes its decision, implementation of some parts of the act have to wait.

Those are the big holdups. Rail budget planning also hinges on such things as taxation—will there be new taxes next year?—and the regulatory agencies—what will the Interstate Commerce Commission be doing about freight rates?—and finally on some imponderables that could overshadow everything human beings do or fail to do. What is the general economic picture, where is it going, and how will that affect railroad finances? What about agricultural shipments? Finally, what about energy sources? Can the roads look for a break in oil and other fuel costs, or are we heading for another surge in energy prices?

● **The role of DOT.** Regardless of how it behaves towards the nation's railroads, the Department of Transportation is the single most important focus of government railroad activity. It is DOT that administers most Federal transportation aid, and DOT input with the ICC and USRA is strong. As a result, the man running DOT is a crucial figure for railroaders. Present Secretary Claude S. Brinegar has shown little leadership in solving rail problems, and has been downright hostile about using Federal money for urban rail transit. A new secretary could change all that.

Of more importance in the day-to-day operation of railroads is the Federal Railroad Administrator. Much of the railroad money authorized by Congress is spent through FRA, and with John Ingram gone to the Rock Island, the FRA too becomes a question mark.

For the troubled railroads of the Northeast and Midwest—and for profitable railroads that might be affected by any rail reorganizations—USRA and its offshoot, the Consolidated Rail Corporation, are crucial. Right now, USRA is beginning a four-month period of doing what Congress originally said had to be done by Oct. 29: preparing new rail systems plans.

If these plans call for widespread track abandonments, there will be railroad money available for other purposes. If they don't, it's more railroad money down the drain for maintenance of unprofitable trackage. In addition, USRA systems plans will help determine the flow of Federal money to the roads, another key determinant in budget planning that railroads will have to live without well into 1975.

● **Meanwhile, on Capitol Hill...** Up on Capitol Hill, definitive answers are no easier to come by, although the alternatives are a little clearer. Congress has a fair backlog of rail-related legislation waiting for final action, and the content of this legislation at least indicates the

Washington picture is murky

outer limits of what railroads can look for in the way of new Federal spending authorizations.

Fast becoming a legend in its own time is the Surface Transportation Act, a major piece of railroad legislation that has been around as long as some Congressmen. Railroads have been backing the bill for the most part, with favorable provisions of STA as it now stands including:

—$2 billion in loan guarantees for purchase of rolling stock and improvement of plant.

—A $15-million grant for improvement of a rolling stock management information program and study of rail electrification.

—Limitations on ICC powers, to reduce regulatory lags.

—Changes in the rate structure to give the roads more rate-setting flexibility.

Most railroad objections to the bill hinge on provisions handicapping the railroads in competition with water carriers, and on other details of the rate-setting procedure.

While STA is the major piece of rail legislation talked about, but not passed, during regular sessions of the 93rd Congress, it is not the only rail legislation to appear on the docket.

Indiana's Sen. Vance Hartke, a Democrat, has introduced legislation to create an Interstate Railroad Corporation that would take over, rehabilitate, maintain and finance a national railroad track system, but allow present carriers to remain in private ownership.

On the House side, a similar bill was introduced by New York Republican William F. Walsh, calling for "a national network of essential rail lines." Walsh's bill would set up a Railroad Trust Fund to finance maintenance of railroad rights of way at a standard that would allow freight trains to travel consistently at 60 mph. Observers feel the Walsh bill has little chance of becoming law, but its provisions give an indication of how seriously legislators are taking the plight of the railroads and how far they are willing to go to ease it.

● **Checking into the ICC.** Legislation with the greatest potential impact on railroads over the next few years is legislation that doesn't say anything about railroads. Several new measures call for a National Commission on Regulatory Reform to check into the goals and performance of different regulatory agencies, and it is safe to say that if this commission gets launched, an investigation of the ICC will be launched soon after.

Even more sweeping in its potential impact on railroad budgeting is the recent Democratic success in capturing House seats. While the 94th Congress is hardly going to be veto-proof, it is certainly going to be more liberal. This means not only an increased receptivity to spending government money on railroads—as well, incidentally, as increased receptivity to the problems of railroad labor—but new efforts to reform the House itself.

One reform measure already passed has not been warmly received by the railroads: separation of jurisdiction over surface transportation modes. Jurisdiction over railroads stays with the House Commerce Committee; jurisdiction over trucking moves to Public Works. This means that in the future it will be harder inside the committee room to negotiate railroad interests that conflict with truckers' interests.

Finally, for railroads in the Northeast, there are tremendous financial implications in whatever decision the Supreme Court hands down on the Regional Rail Reorganization Act. Acting on appeal of a lower court's finding that elements of the act are unconstitutional, the Court could bar Penn Central participation in Northeast rail reorganization efforts—thereby torpedoing the whole program, for all practical purposes—or could give the go-ahead for solving the rail crisis via the Reorganization Act.

● **Inflation casts a big shadow** All of the above, and a good deal more, is predicated on successful avoidance of economic catastrophe. Yet the conversation around Washington is heavy laden with gloomy forecasts, and the fact that Treasury Secretary William Simon is now talking about the "recession" we are in has not buoyed anybody's hopes.

As uncertain as the legislative and regulatory picture might be, it is a pillar of stability compared to the economic picture. And as aggravating as the uncertainty of Federal railroad aid might be to rail budget planners, it cannot be nearly as disturbing as the prospects of continued double-digit inflation.

Over-relaxed monetary policy, escalating energy costs, and the general price and wage increases sure to follow, spell trouble for everybody. But for railroads struggling to keep up with fuel and labor costs—while using deteriorating equipment to maintain unprofitable service on dangerous roadbeds at the insistence of political leaders—economic problems in 1975 could make Congressional reluctance to come to grips with specific railroad problems a minor concern. ■

A new face for railroad financing?

So far, railroad lending activity of the new Federal Financing Bank has been limited to loans to the National Railroad Passenger Corporation. But because the United States Railway Association is one of the agencies entitled to financing through the bank, railroaders will probably be hearing a good deal about the new lender in the future.

What is the Federal Financing Bank? In brief, it is an agency established to consolidate the financing of a variety of Federal agencies, and of other borrowers whose obligations are guaranteed by the Federal government.

Rationale for the bank's establishment earlier this year was that Federal agencies were creating disturbance in the securities markets by coming to market three out of every five working days. In addition, consolidation of activity in the Financing Bank is expected to reduce the cost to the government of its borrowing activities.

Operating under the Treasury Department's debt management team (no new bureaucracy), the Bank will sell obligations in the same way Treasury obligations are now sold. These obligations are like Treasury obligations in that they are lawful investments acceptable as security, exempt from state and local taxation.

Where does the bank's money go? On October 11, the bank closed four transactions with Amtrak—all guaranteed by DOT—that included:

—A $180 million loan, at 8.70%.

—A $100 million renewable 91-day line of credit, with Amtrak making an initital drawing of $3.7 million at 8.213%.

—$27.4 million in long-term financing for 81 locomotives.

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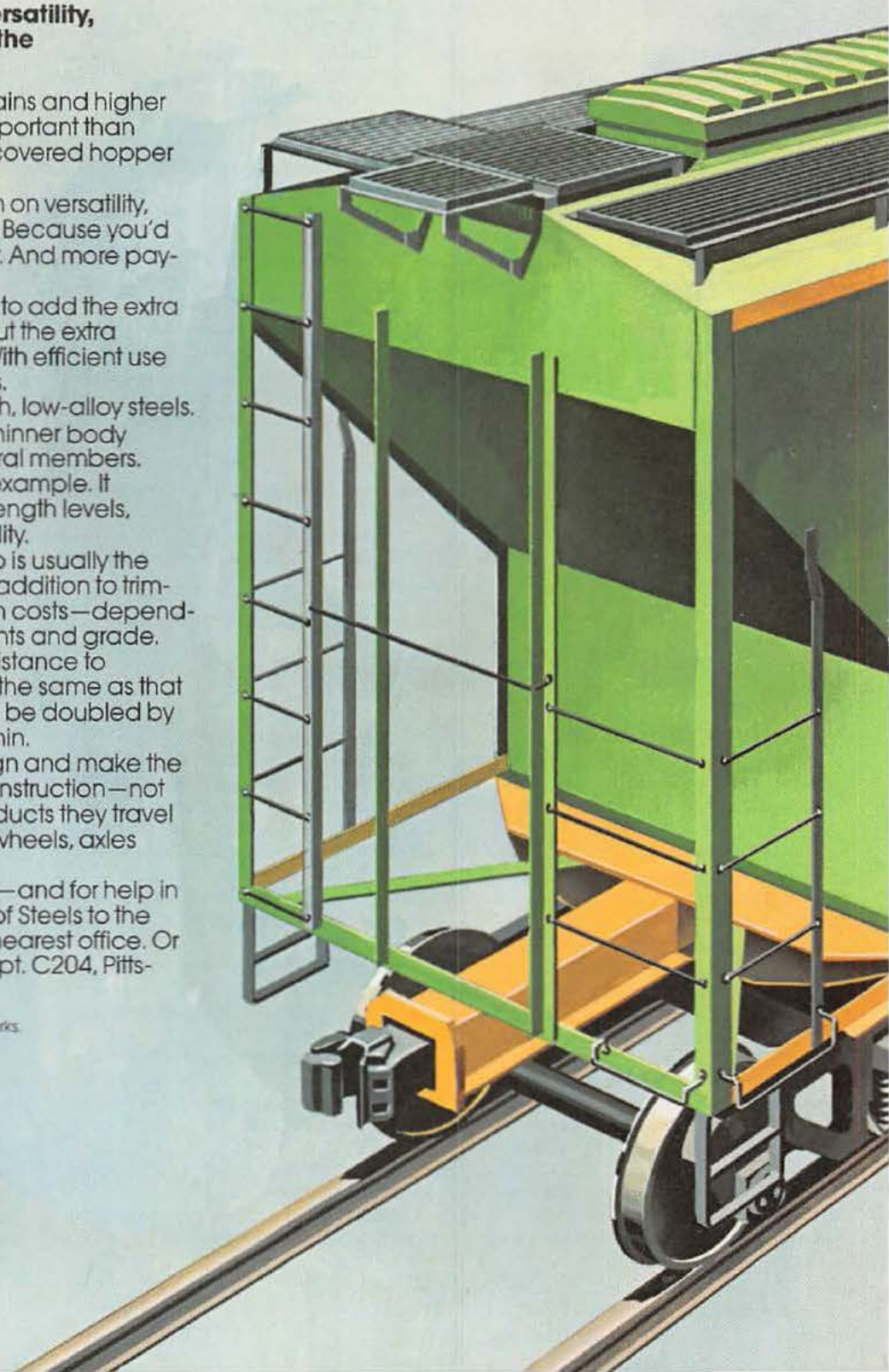

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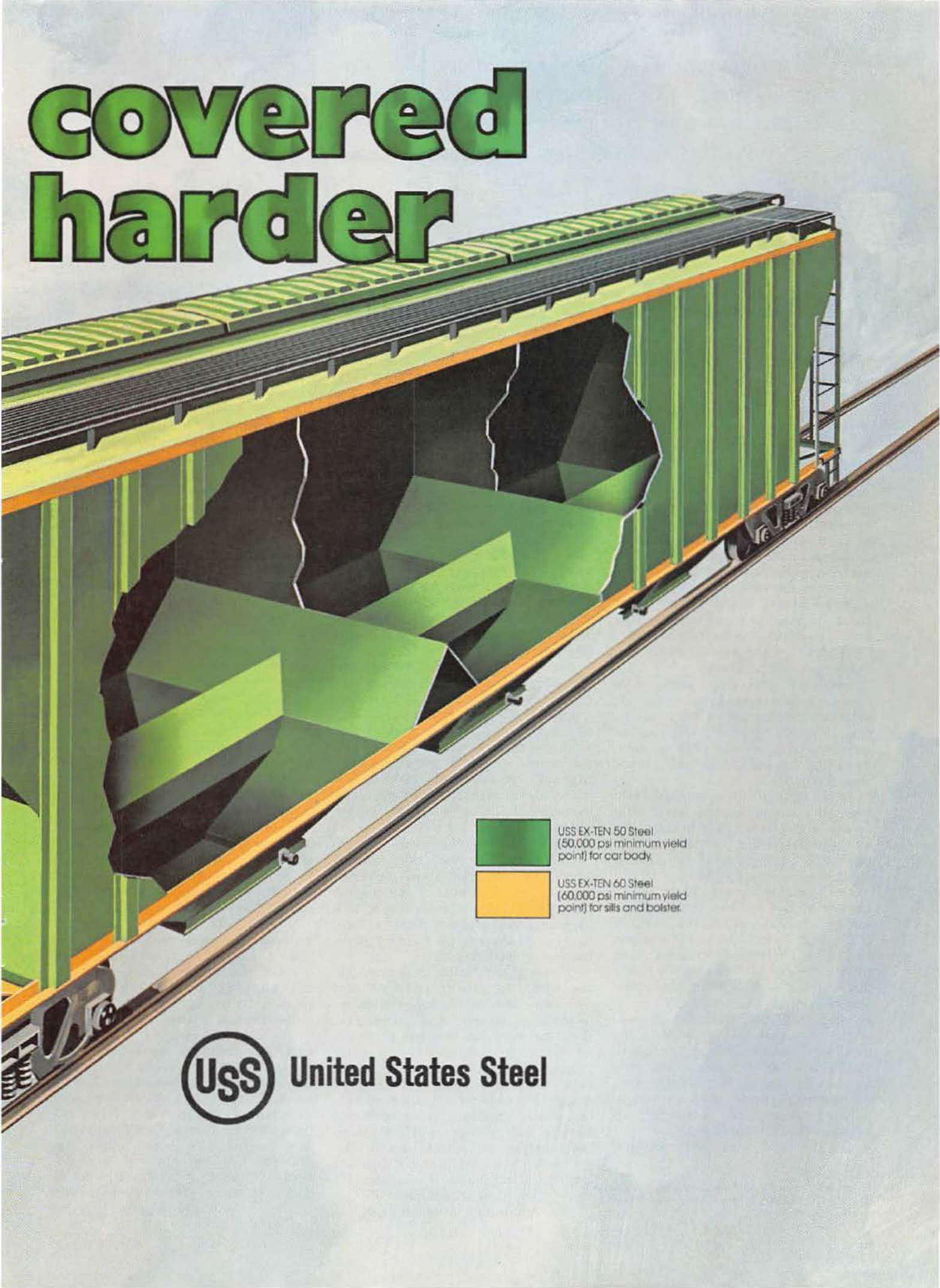
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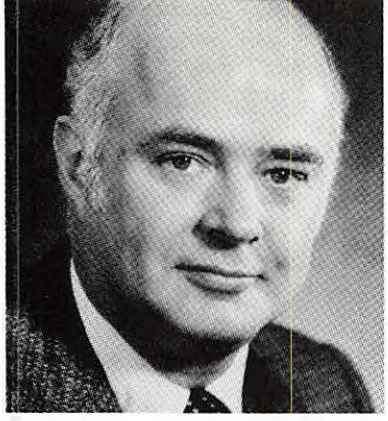
"If we don't increase the capacity of our plant, our main lines and yards will become clogged...The total capital investment required could reach $5 billion over the next six years." —CN President Bandeen



CN: "Buying cars and locomotives is no longer enough"

By DR. ROBERT A. BANDEEN
President, Canadian National

In Canada or the United States, one of the biggest problems facing us today is money—how, to invest it, how to manage it and—above all—how to raise it.

These problems are, of course, common to all industries in a period of double-digit inflation and high interest rates, but they are particularly acute in the railroad industry, which is subject to much more regulation and restraint than most other enterprises. Since I am also chairman of the board of the Grand Trunk Corporation which is responsible for our operations in the United States, I can speak on the basis of experience on both sides of the border.

Over the past four years, CN's average annual growth in traffic has outpaced the increase in the country's gross national product. The annual average growth for the GNP has been 5-¼%, but for our freight traffic it has been nearly 8-½%.

In the light of the present uncertain financial situation, accurate predictions for the next year are hard to make, but we are confident that over the long term our traffic will continue to grow at something close to this rate.

Our predictions are based on a number of factors. One of them is the energy situation which can bring a traffic that we had lost to other modes and increase intermodal business. Then there is the fact that Canada has a large share of the world's productive arable land at a time when world hunger is growing. We as Canadians have a responsibility to ensure that we produce the maximum amount of food for export. This means that such products as grain have to be moved at tidewater by a distribution system using the transportation mode best suited for this product—in other words, rail.

It's the same with other products that result from Canada's wealth of natural resources—potash, coal, iron ore, copper, lumber, sulphur and so on. The demand for all these products is likely to increase and rail is the logical way to move them to market.

The immediate reaction to this predicted increase in traffic has been to increase the size of the freight car fleet. In the past four years we have ordered more than 17,000 freight cars and 517 locomotives representing an outlay in excess of half a billion dollars to keep up with the demand. We estimate that in the next four years we will need to order an additional 21,000 freight cars and 900 locomotives costing close to a billion dollars to handle the traffic offering.

However, the fact that has become increasingly apparent—and one that has tremendous significance to all Canadians —is that buying cars and locomotives is no longer enough. We are beginning to reach the capacity of our rail network, and unless we begin immediately on large-scale programs of doubling our main lines in many parts of Canada and increasing the capacity of our yards we will not be able to maintain the level of service we are providing now.

The point has now been reached where we have just about extended capacity to the limit of the present plant, and what is needed now is a major building program almost as large in scope as the original building of the transcontinental railway.

If indeed our traffic projections are reasonably accurate — and they have been based on specific information received from industry and government, then, the need for this vast project is no mere pipe dream. If we don't increase the capacity of our plant, our main lines and yards will become clogged and traffic will slow down. With the slower operation, labor costs will increase and shortages will develop in both freight car supply and in the availability of motive power. It does not take much imagination to see how this would affect Canada's industrial life.

The total capital investment required to avoid these situations arising is substantial. In these days of ever increasing prices it is difficult to make firm estimates. However, if inflation continues at anything like current rates the total could reach $5 billion over the next six years. This expenditure is related to commercially viable freight services alone. There are additional expenditures required if rail passenger service is to be improved, if grain distribution systems are to be modernized, if non-economic branch lines are to be maintained, and if additional trackage is to be built for reasons of National Transportation Policy.

In the past ten years, we have met our capital needs from our own resources and through leasing equipment. But the expenditures envisaged for the future are too great to be met in this way. This means we will have to consider borrowing large sums of money.

Anyone who has ever borrowed money at a bank knows that the first question is: Do you have sufficient income to carry the loan? It is the same for corporations.

But the problem that railways have is that the level of their cash flow—in other words, the setting of the price they charge for their services—is related to freight rates and these have traditionally been subject to control by outside bodies.

I read with interest a persuasive argument by the chairman of the finance committee of one large U.S. railroad that railways should have a return of 18% on total capital before taxes and a return of 20% before taxes on incremental capital.

He and other leading U.S. railway executives seem to have had some degree of success in explaining the importance of an increased cash flow to enable capital to be obtained because in July railways in the States were given permission to increase their freight rates 10% across the board. This has provided U.S. railways with a much-needed infusion of cash estimated at $1.25 billion a year by one railway

(Continued on page 40)

Excepted from an address prepared for delivery at the meeting of the AAR's Accounting Division in Montreal.

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A real tough cookie this Fruehauf Z-Van. Tough enough to meet and even surpass the latest A.A.R. specs.

We make it that way because we know a trouble-free piggyback van is the only kind you can afford in today's competitive market. And after all, who knows the van better than you and us.

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Circle 10 on Reader Service Card

CN outlines long-range needs

(Continued from page 36)

president. I must say I hope we are equally as successful in explaining our case here in Canada.

Unfortunately, in the public mind, profits are often looked upon as totals and compared with weekly pay checks instead of being contrasted with the vast amount of capital which has to be invested to generate those profits. Railways are particularly capital intensive. It requires two dollars of capital, on average, to generate every additional dollar of revenue. And the profit margin on a dollar of revenue is very slim.

The other difficulty is that freight rates are a highly sensitive public issue in Canada and it takes courage to go along with increases. However, I feel that a growing number of Canadian businessmen are beginning to realize that it is unrealistic to expect rail transportation costs to be the only item kept unchanged when all other costs are increasing. They understand that it is in their own best interest to have an efficiently-run and adequately-compensated railroad transportation system rather than having to depend on one staggering along on a starvation diet.

These businessmen are also aware that the suggestion of "let the government pay" is no answer either. The government has no magic supply of money. It gets what it requires from taxes collected from the people. So it makes more sense for businesses to pay their transportation costs directly to the operator rather than have them collected through the indirect taxation route. This investment relates to freight services which can and should be operated on a profit-making basis. There is another large-scale investment to be made to improve passenger services. Since experience here in Canada and the U.S. has indicated clearly that adequate passenger services cannot be provided on a profit-making basis, it is obvious that the government will have to underwrite improved passenger services required as part of National Transportation Policy.

There is also the need for direct government investment in grain distribution systems and uneconomic branch lines. Therefore, it makes sense to meet the requirements of the commercially viable part of the freight market by allowing freight rates to reach their natural level without artificial constraints.

History has shown that arbitrary controls on freight rates can lead to the preservation of antiquated systems and have inhibited the introduction of new and better methods. ■

LETTERS

TOFC/COFC in '74

Clarendon Hills, Ill.

To the Editor:

I have just finished reading your article in the Oct. 28 issue of Railway Age entitled "TOFC/COFC in '74: The economy throws piggyback a curve." I must tell you that I have not read anything recently, in any trade publication, that so accurately expresses—as far as I am concerned—the piggyback industry as it is today. I believe you have done an outstanding job in recording current conditions, and the insight you have into the piggyback industry is admirable. You must have surmised by now that I am involved in this dynamic business. I am employed by a company that ships, perhaps, more piggyback trailers than any single shipper in the country. I agree wholeheartedly with your pros and cons of the piggyback industry.

Joseph Bobek
Central Regional Manager
ITOFCA, Inc.

Commodity marketing

Kansas City, Mo.

To the Editor:

I am greatly concerned about your editorial (RA, Sept. 30, p. 62) which concluded that grain has not been moving, and boxcars are standing idle, because of price jockeying and, second, that perhaps what is needed is a new commodity marketing concept.

Since the concept in use is called free market competition, I can only assume from your editorial you favor governmental operation of this important grain marketing system, that is helping to feed the world. Since the government, through the I.C.C., has participated in and perhaps caused some of the problems which have resulted in some of our major roads falling apart, since in the Postal Department we now have a difficult time getting a letter across town in one day, and since the government seems unable to cope with inflation, I find little evidence to convince me that they could manage the nation's vital foodstuff industry.

In fact, from our semi-annual meetings with the 8 or 10 granger roads in the Midwest (operational people), we find some relief with the more orderly flow of grain from farm to elevator to user and/or export this year. I think you will find lack of movement in the volumes we had in the past two years is due in part to slack export demands for certain types of grain, and simply an unavailability of some types of grain caused by poor weather and more restrictive selling practices (or lack of selling) by the farmer-producers. Only God can control the weather, and farmers are probably somewhat more difficult.

In a word, I think it is somewhat irresponsible of your publication to bandy about such terms as price jockeying, which carries all kinds of negative implications for an industry that has been struggling for many years to produce and market enough foodstuffs to help feed not only the United States but the world.

You have not, incidentally, thrown me into a tailspin. However, I do suggest a bit more research into this area.

Incidentally, we have at various times in the past year in testimony before various Congressional and Senate committees, applauded the railroads, told both the I.C.C. and the D.O.T. that there was not a boxcar shortage this year nor did we expect one. The only negative note we may have sounded would be the encouragement of expenditures for roadbed maintenance, especially by some lines who seem to be plagued with many miles of slow service orders.

W.N. Vernon III
Executive Vice President and Secretary
The Board of Trade of
Kansas City, Missouri, Inc.

Railroad public relations

Chicago, Illinois

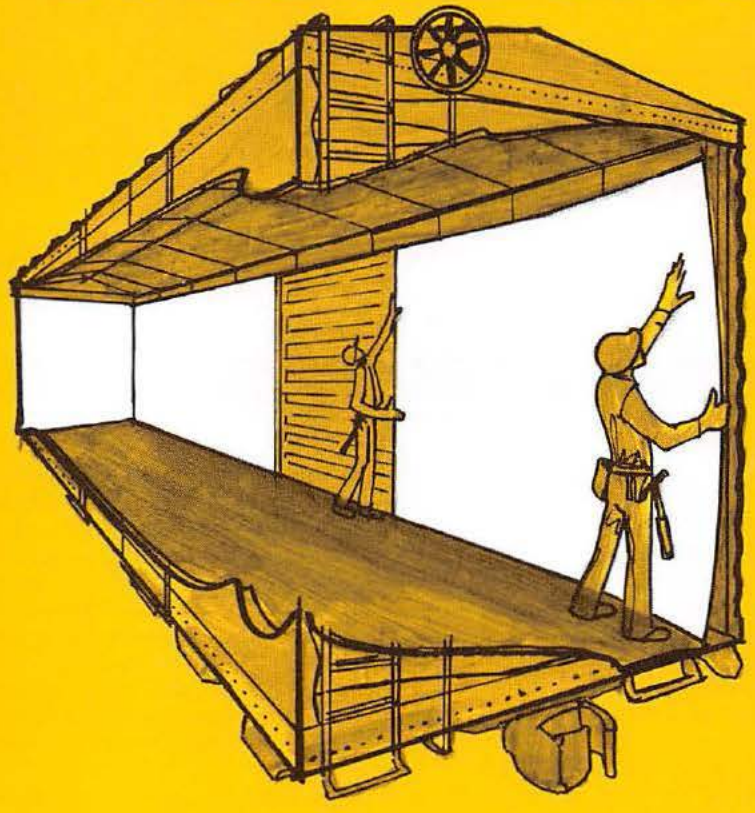
To the Editor:

Peter I. Roehm (RA, Sept. 9, p. 75) has pointed a finger at a very weak spot in the public relations work of most of this country's railroads. In my opinion he has done an excellent job of stating the case in an area which certainly needs to be driven home forcibly to the top management of many railroads who in this area of P.R. work are their own worst enemies. While I concur fully that the real story that railroads have to tell is in their efficient volume movement of freight, attempts to tell the story strictly in these terms will elicit little empathy from the great general public. Bored indifference is likely to be the predominant response.

A strong campaign of accentuating the positive is sorely needed to offset the current generally low public opinion of railroads which has been formed largely by negative stimuli such as long freight trains blocking highway crossings, bankruptcies, old and deteriorated physical facilities, derailments and wrecks, etc. The two areas (passenger trains and rail fans) which Mr. Roehm discusses, if properly exploited, are indeed veritable gold mines to an affirmative rail public relations effort.

Dwight E. Long
Director of Distribution
Velsicol Chemical Corporation

Introducing seamless construction



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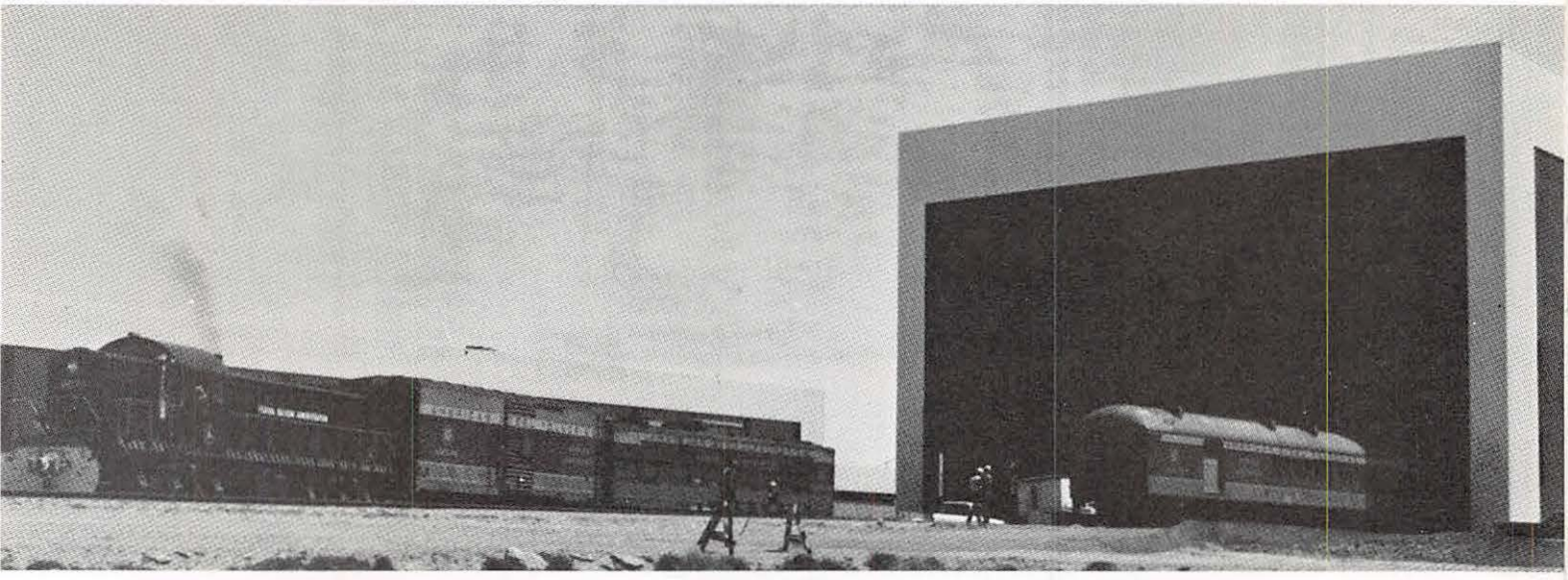


FRA'S RAIL DYNAMICS LAB at Pueblo was a high point of interest for industry leaders attending 11th Annual Railroad Engineering Conference. Above, ASF cars change trucks for special test runs on the transit track at the Department of Transportation's High Speed Ground Test Center.

R&D challenge: Today's railroads

By ROBERT G. LEWIS, Publisher

Magazine circulation managers like to tell the story of the subscription salesman for "Successful Farming" who tried to sell the old Kansas farmer. "Hell, sonny," the farmer protested, "why should I subscribe when I ain't farming nearly as successful as I already know how?" The 160-some railroad industry men who gathered at Pueblo, Colo., for the 11th Annual Railroad Engineering Conference seemed to agree that "we ain't railroading" half as well as we already know how.

That there may be some truth to this is related more to economics than to lack of vigor on the part of those responsible for the maintenance of the rolling stock and right of way. A clear consensus of the group was that money spent for research ought to be increasingly applied toward the objective of railroading better today; more toward the job of moving 800 million/gross ton miles of freight each year than to hurtling people across the face of the earth in vehicles that aren't compatible with the existing infrastructure and wouldn't solve any industry problems anyway. Research relating to the simple freight car wheel—14 million of which are in daily service—for example, can be more meaningful than research on the TACV's, LIMRV's and other vehicles not related to the very real and very acute problems the industry faces as the biggest single hauler of the nation's commerce.

Or as one delegate put it: "Who needs Buck Rogers?"

Jack Loftis, vice president, Dresser Industries (retired), put it this way—"We are not looking to make a great step to another planet, though we do want to move in a direction that will ultimately get us there." Dresser's Transportation Equipment Division president, Richard L. Lich, stated that there was a great new opportunity, and responsibility, to apply practical research and development to produce a superior job in using the steel wheel on the steel rail with high capacity equipment on exclusive rights of way.

In the opening session on railway freight car dynamics, George L. Rousseau, vice president, Pullman-Standard, described a seven-year effort of the Bessemer & Lake Erie and his company to develop a quick-clearing, self-drop, open-top hopper car that would expedite unit-train handling of both coal and iron ore. It was decided a systems approach would be followed, viewing the hopper car as a "bin on wheels" and setting out to learn everything about mass flow of the commodities to be handled, taking in the effects of weather, compaction and car geometry. This phase lasted three years and included a full size mock-up for functional lab testing. Then a prototype was built which proved capable of unloading a 90-ton load of coal in 12 seconds, but developed, in Rousseau's words, "more problems than Custer had Indians."

Extensive changes were made in door mechanisms and locks. Reinforcements were made and baffles installed to counter the effect of dump-loading 50 tons of ore from 16 feet above the bottom of the car body. Finally, 200 cars were built, and service tested with further modifications applied to a final run of 800 cars as a result of both field and lab testing. Today, these unit trains are loaded every 2.4 days compared with a 10-day turnaround with earlier cars.

Fatigue design considerations

Robert H. Billingsley, director-engineering, AMCAR division of ACF Industries, spoke of the carbuilders' additional responsibilities with respect to car dynamics design, with emphasis on fatigue considerations that have come to the fore with heavier cars, longer trains and improved car utilization. He described computer-aided design analysis which is developing new information to supplement data collected in road testing, all of which, he hopes, will lead to incorporation of fatigue design considerations into AAR's freight car specifications.

William J. Ruprecht, director-engineering, Shippers Car Line Division of ACF, was candid in criticizing railroad management for not communicating with their mechanical departments, and the cost analysis people for not helping the mechanical officer buy a better car. Shippers Car Line, he said, has a fleet of cars better than those the railroads buy.

The railroads buy the most car they can get for the least money, putting, in effect, the initial savings into maintenance during the life of the car, an especially costly practice when the labor rate for one hour of work on a car has gone from $5.15 in 1965 to $14.16 in 1974 and will continue to rise.

Billingsley was critical of rules calling for scrapping of mate wheels. He urged use of rust-inhibiting oil additives. Of all SHPX axles removed, 76.3% were removed because of rusting or pitting. He described success with manganese liners in center plates. He deplored the practice of replacing one or two tired springs in a nest. Replace all of them at the same time, he urged.

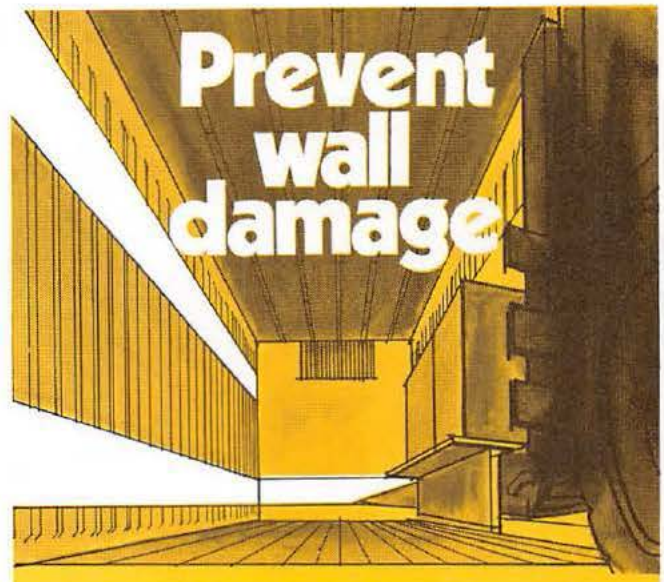
Loren W. Smith, retired manager-engineering and research at Dresser, talked about the freight car truck "capability gap"—the difference between the performance being rendered and that which should reasonably be expected. High on the list as a cause of truck-suspension problems is the track condition, he said, but pointed out that that is a condition which must be accepted "as is" for years to come. Improvements in the three-piece truck, which has as its chief asset its simplicity, low first cost and relatively easy maintenance, will have to be made to meet today's requirements for heavier loading and movement over today's track. He urged, however, that the true economic value of a possible successful solution be determined, suggesting that if the real cost of truck ownership were known, taking into account all costs that detract from railroad earnings, there might be a premium truck that could close the capability gap at a lower actual cost of ownership than the conventional truck.

Truck design optimization

Carrying that subject further, Robert Byrne, manager-research, Southern Pacific, reported on the freight car truck design optimization project (TDOP) awarded SP by FRA last June 28. As prime contractor for FRA, SP will work with other railroads, the supply industry, AAR and RPI, over a period of four years. Phase I will include work to arrive at preliminary performance specifications for Type I general-purpose trucks and will include a survey and appraisal of Type II specific-purpose trucks. Phase II is to produce refined Type I truck performance specification and preliminary specifications for Type II trucks. Research is to be initiated into advanced, unconventional carbody support systems. Finally, Phase II is to produce refined Type II performance specifications and will complete research on advanced systems. The ultimate objective is a truck design that will improve performance, especially at speeds—eliminating hunting, vibration, lading damage and track damage, at the same time lowering over-all costs, extending truck life, and improving ride quality. Byrne hopes lower over-all costs can be achieved even at the price of initially higher costs.

Biggest surprise of the conference was a story of elimination of hunting and consequent wheel wear by the South African Railways. H. Scheffel, mechanical engineer (development of rolling stock) from Johannesburg, described a severe wheel wear problem associated with unit ore train movements—and an acceptable solution which retains the advantages of the three-piece truck without adding considerably to the cost. In a 600 mi. operation on 3½-foot-gauge track and 34-inch wheels, cars with a gross of 164,000 pounds were experiencing such severe wheel wear that after nine round trips wear was beyond acceptable limits.

Studies showed that hunting, particularly on the empty return movements, was responsible. Tests were first made with an expensive European truck, but little improvement was recorded. A redesign of SAR's standard Barber truck—embracing X-shaped anchor bars between each axle and Elastomer inserts in the side frame pedestals—was tested. Sheffel demonstrated in accompanying slides drastic reductions in both hunting and wheel wear. Three prototype trucks with the improved design have been built. Two are in



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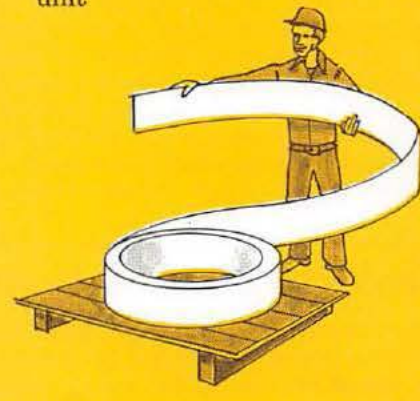

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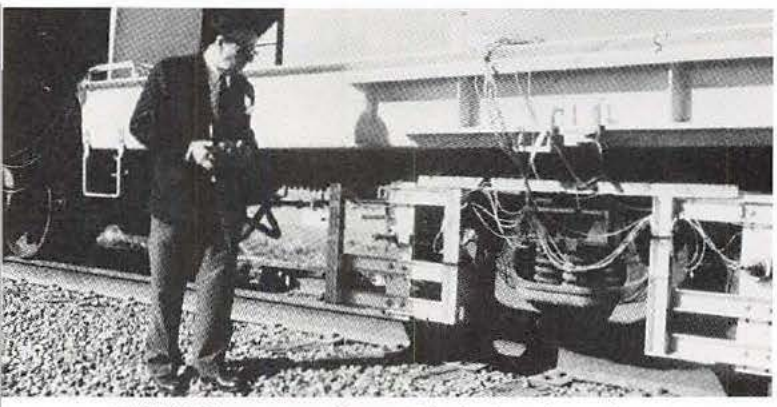
Circle 12 on Reader Service Card

Conferees applaud long-overdue attention to the interface of



TTX CAR instrumented for track/train dynamics testing gets onceover from MoPac's John G. German at FRA's Pueblo test tracks.

service and one is under lab testing. Almost no wheel wear has been recorded and SAR has 150 car sets of the new truck in production. Standard Car Truck has options on U.S. rights to the design. (Because of the keen interest in Sheffel's paper, it will be presented in detail in the December 1974/January 1975 issue of Railway Locomotives and Cars.)

John G. German, assistant vice president-engineering, Missouri Pacific, visualized millions of dollars being spent annually because such little attention has been paid up to now in the everyday interface between equipment and track. It takes the dynamic action of the freight car to accent the deficiencies of the track structure, German said. He cited a 28-mile industrial branch built seven or eight years ago, practically unused since, but still in perfect condition despite exposure to the elements. Identical track structures rebuilt at the same period to the same standards have required substantial annual maintenance work, he pointed out.

German predicted that until more capital is available for track there must be a reduction in the growing use of cars which do not properly fit the geometry of today's track; that better accounting will prove that such cars are still ahead of their time. Like speakers who preceded and followed him, he had praise for the cooperative Track/Train Dynamics study and looked with optimism on research in progress and planned at FRA's Pueblo center. German looks forward, "impatiently," to new knowledge and tools to develop freight cars that will perform a useful life for 40 years and require only two general repairs during that span.

S.K. Punwani, senior research engineer, AAR, discussed advanced coupling concepts, including automatic air connection, and test plans which are under way by AAR.

FRA carries on a Dresser tradition

The "Dresser Conference" is now the FRA Conference. The Pueblo session October 23, 24 and 25 was the eleventh in a series of annual engineering conferences originated by Dresser Industries' Transportation Equipment Division in 1964, at Depew, N.Y., where the 10 prior meetings were held.

The takeover by the Federal Railroad Administration and the move to Pueblo reflects a recognition of government's increasing role in railroad research, and the need to broaden the scope of coverage to include track—to relate mechanical developments to the physical plant.

FRA has also broadened the scope of the conference to railways overseas. Researchers from British Rail at Derby and UIC's research office at Utrecht were numbered along with railway men from 10 countries in four continents who assembled at Pueblo to explore better ways to run railways.

Today's cars, yesterday's track

W. Jack Jones, engineer-maintenance of way and structures, Southern Pacific, demonstrated that the track structure design had remained substantially unchanged while the diesel replaced the steam engine, cars got heavier, the center of gravity went higher, and acceptable speeds went from 45-50 mph to as much as 65 and 70. Rock and roll and wheel lift developed. Hunting increased. Hunting widens gauge and wide gauge increases hunting, he said. The track structure had to absorb all the increased forces, including the starting and stopping of the heavier trains. Jones discussed the limits of lateral and vertical (L/V) forces which, if exceeded, can cause derailments—which is really what the TTD studies are all about. Jones cautioned that track men should become intimately familiar with the lessons to be learned from the TTD project—alerting themselves as to vulnerable locations where critical L/V ratios might exist, and should place slow signs so as to avoid dynamic or air brake applications within the limits of curves, on trestles at the foot of grades, and on switches.

Elwyn T. Ahnquist, president, Pullman-Standard, forcefully pointed out that among obstacles faced on the road to technological development is the people problem, especially the shortage of engineers, scientists and technical people needed "to bring a better tomorrow closer." Ahnquist compared the supply of engineers in our industry with the supply of wheels, castings and steel—tight, and cited increased needs for new research projects as well as for improved operations. "Engineering is a prestigious occupation," he said, "and so is railroading, and so is the building of railcars and motive power that give mobility to American industry. Let's do more boasting about the work we do. Let's lure more engineering candidates into our camp."

Dennis R. Ojard, electric engineer and John E. Abramson, shop superintendent, Duluth, Missabe & Iron Range, jointly described solutions to a problem of air leakage in cold weather and time lost setting up retainers in heavy unit train operations on severe descending grades from the mines to the Lake. Since the main cause of air leakage was angle cocks and hose couplings, the logical solution was to eliminate them wherever possible. The first approach was to eliminate couplers between every other car by using a solid drawbar; then to join four cars with semi-permanent coupling. Side benefits included reduction by more than seven feet of slack on a 124-car train and better train handling, as well as reduced charge time.

To reduce time loss in setting up retainers, DMIR added straight air on the unit trains. A separate air line runs the length of the train and is supplied from the locomotive main reservoir through a separate independent brake valve controlled by the engineer. Each car has a double-check valve to the brake cylinder which is connected to the straight-air line on one side and the AB control valve on the other. A total of 776 cars have been converted for this operation—DMIR calls them mini-quads—and 244 more are programmed. The 776 cars represent 9.2% of the ore fleet, but haul 32% of the tonnage, and average 30,000 miles per car per year.

DMIR—approaching its goal of a hotbox detector every 20 miles of main line track averaged one hotbox per 15 million miles in 1973, and 23 million miles for the mini-quad fleet, with a fleet age averaging 20 years and all plain bearing cars. Recognizing that the best hotbox record "does not eliminate the awesome damage and expense of even one train wreck," DMIR is going further, planning to equip one 124-car train with a device to detect hotboxes or wheels on the ground in cooperation with the developers—the Naval Ordance Lab-

oratory (now called the Naval Surface Weapon Center).

Max W. Bellis, manager-locomotive engineering, General Electric, outlined developments in diesel-electrics to lower costs and increase reliability. In the United States, he said, about three times a year a road failure occurs on each locomotive, although availability is in the range of 85 to 95%. Many refinements have been introduced to increase reliability and also to enable power to face environmental demands—emission reduction and lower noise levels. Adhesion characteristics have been improved, aided by sophisticated wheel slip controls. Electric locomotives have been produced for high voltage, automated operation, with virtually 100% availability.

EMD's new Amtrak units

A.N. Addie, manager of advance engineering, Electro-Motive Division of General Motors, outlined efforts to improve reliability, and described the new AMTRAK units (SDP-40F). Engines have been modified to reduce emissions and improve fuel consumption; trucks have been designed for high adhesion and equipped with wheel slip control which includes "instantaneous detection and correction." Furnished with two steam generators for train heading, they are designed for modification to provide electric power for train services through auxiliary diesel-generator sets. New commuter locomotives for Chicago service have been built with engine shaft driven alternators for train heating, lighting and air-conditioning.

Of special interest were EMD's plans for straight electric locomotives and collaboration with the Swedish ASEA, especially in the area of thyristor technology. Two locomotives for 1975 demonstration on Penn Central will include Type I for "drag" service and II for manifest service. The former will have two six-wheel trucks with six modified EMD traction motors, and rated at 6,000 hp. Type II will be a B-B-B with six ASEA traction motors and rated at 10,000 hp.

That there will be need for the electric locomotives was borne out by Werner H. Siemens, principal electrical engineer, International Engineering Co., who outlined potential opportunities through electrification and considerations with relation to cost versus traffic volume, plus design factors, in planning electrification.

A visit to the High Speed Ground Test Center east of Pueblo confirmed assurances by Edward F. Lind, project director-research program on Track/Train dynamics, AAR, that increasing emphasis was being applied to immediate industry needs—the track/train dynamics studies most importantly. In addition, there have been or are in progress train/automobile collision impact studies, stability tests on DODX cars and flame tests on tank car components. The tracks were recently made available to American Steel Foundries for extensive running truck tests, up to 555 miles in a single day.

Dr. William J. Harris, vice-president, research and test, AAR, told the conferees that Phase I of the 10-year track/train dynamics study program was nearing an end, and that Phase II was already in advanced planning stages. The payoff has already begun, he said, with changes in handling rules already instituted by some roads as a result of derailment analysis data the study has developed.

As in previous conferences, the standard three-piece freight car truck stood out as the major headache, with related wheel wear, center plate wear, and less than ideal performance of the whole assembly (hunting, wheel lift and rock and roll). It also stood out as the biggest challenge and the greatest opportunity for improved freight train operation. There was evidence that more is being done about the problem than ever before. ■

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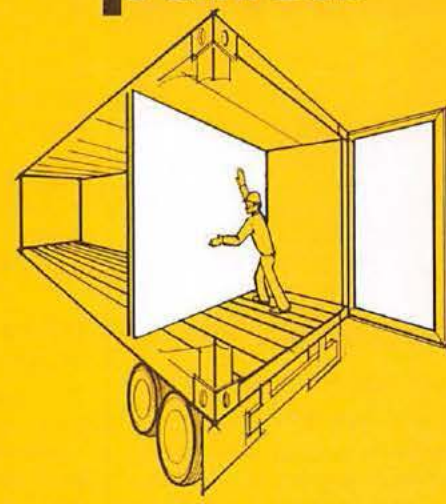

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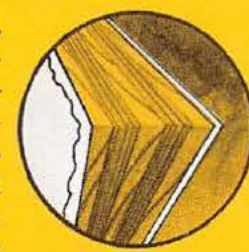

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Products Report

Crossing is made for in-plant, industrial and mainline track

A prefabricated crossing which works well for industrial and in-plant trackage as well as for mainline railways is offered by Steelplank Corp. Prefabricated of die-formed and welded 3-gauge hot-rolled steel, with either cold-rolled diamond tread or a coarse epoxy-abrasive surface, the crossing is comprised of one center panel 50½ inches wide and two side sections 20 inches wide. The Steelplank crossing is made in 6½-ft module lengths in heights from 5¼ in. to 7¾ in. to fit all common rail sections. Surface traction is said to be equivalent to dry concrete. It can be used on tangent or curved track up to 20 degrees with the crossties at the conventional 19½ in. spacing.

Each modular steel unit is supported on each tie U-shaped upper and lower steel members arc-welded together. The five load-bearing lower members rest on and are anchored to five crossties with ¾-in. by 6-in. lag screws. The sections do not come into contact with the rails or tie plates but must be electrically isolated so that there can be no interference with signal circuits. The crossing is designed for quick installation by normal maintenance personnel using regular equipment, and may be readily lifted and replaced to permit periodic inspection and renewal of ties and ballast.

Circle 60 on reader service card

Movable plate eases coal flow from hopper car to coke oven

A U.S. patent has been assigned to Bethlehem Steel for a movable plate that facilitates flow of coal into a coke oven from a hopper car. The plate protects the car's unloading mechanism and helps reduce oven gas emissions. The plate, positioned horizontally on the floor of the hopper car, shields the bottom discharge device from the impact of falling coal as the hopper is being loaded. During emptying, while the car is spotted over the oven to be charged, the plate is rotated to a vertical position, forming a free-flow slide for the coal. Because the plate prevents arching or a hang-up of coal inside the car—speeding up the emptying—the charging operation is more efficient and the quantity of pollutant gases that can escape is reduced considerably.

Circle 61 on reader service card

Testing meter made especially for transport refrigeration

A lightweight single-package testing meter specifically for the transport refrigeration industry has been introduced by Carrier Transicold Co. The new multi-tester gives the reefer unit owner the means to check and troubleshoot a unit's power source, control circuit and all other electrical components. The multi-tester has 30-amp ac and dc scales. Internally protected from overload or misapplication of the resistance scales on volts by a solid-state device, there are no fuses to replace.

Circle 62 on reader service card

Compact oil-removal machine is usable in small spaces

A lightweight oil-removal machine as easy to use as a power lawn mower is in production at Lockheed Missiles & Space Co. The device—a compact version of the patented Lockheed Clean Sweep oil-water separator—is light enough to be carried by two persons. It can recover up to six gallons of oil a minute; its one-foot-wide, two-foot-diameter drum-like pick-up mechanism permits its use in small spaces. The machine is available in two configurations and in two materials, aluminum or stainless steel.

Circle 63 on reader service card

Aerosol anti-grafitti products work on any wall or surface

Two recently available chemical aerosol products have been specifically developed to remove grafitti/vandal marks from any wall or surface quickly and efficiently. Instant Grafitti Remover speedily cleans marks caused by crayons, magic markers, spray paints, lipstick, grease paints and chalk. It is sprayed onto the problem area, which is then wiped clean. Instant Grafitti Remover Extra is for use on porous surfaces and for stripping enamel and acrylic paints. This heavy-duty chemical can also remove lacquer, shellac, varnish, and carbon caused by fire; after it is sprayed onto the designated area a quick wash cleaning does the job.

Circle 64 on reader service card

New 3-boom Adjustoveyor has 90-degree powered roller turn

A new 3-boom Adjustoveyor from Stewart-Glapat Corp. features a combination of a conveyor with a 90-deg. powered roller turn with each roller individually powered for positive traction. Products can be fed into the turn by one Adjustoveyor, through the turn for an uninterrupted and continuous flow, and down the 3-boom unit. No baffles or side plates are needed, which permits long objects to project far over the roller turn while completing the 90-deg. turn, without jamming or pile-ups. A wide range of belt widths and speeds is available, with the entire unit designed for one-man continuous operation. Units can be furnished with any angle of turn on the roller turn.

Circle 65 on reader service card

NEW LITERATURE

CONTAINERS. A 16-page brochure describes and illustrates the complete line of land/sea-going cargo containers available from Fruehauf Corp.'s Fruehauf division.

Circle 70 on reader service card

LOCKNUTS. An 8-page booklet published by Standard Pressed Steel Co.'s Cleveland Cap Screw Division describes one-piece, reusable locknuts that lock positively on screws, bolts or studs and that may be used as stop nuts in high torque applications.

Circle 71 on reader service card

DATA SYSTEMS. A 4-page brochure from Wyle Laboratories describes a wide range of Wyle turn key data systems for R&D and testing. Included is information on systems for materials and acoustics testing; polymer research; automated transducer calibration; data acquisition in the transportation environment, and other applications.

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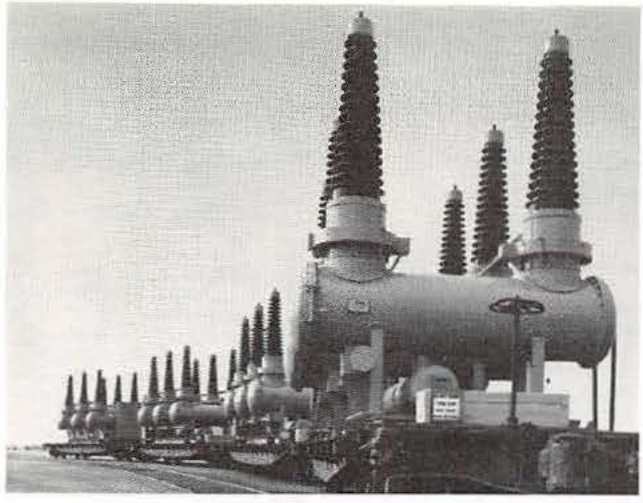

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- ☐ Locomotive Journal Boxes—2 lessons (6.40)
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- ☐ SD45 or GP38 (specify) Locomotive Mechanical—5 lessons (16.00)
- ☐ Modern Box Car Construction—1 lesson (3.20)
- ☐ SD45 Locomotive Electrical—14 lessons (44.80)
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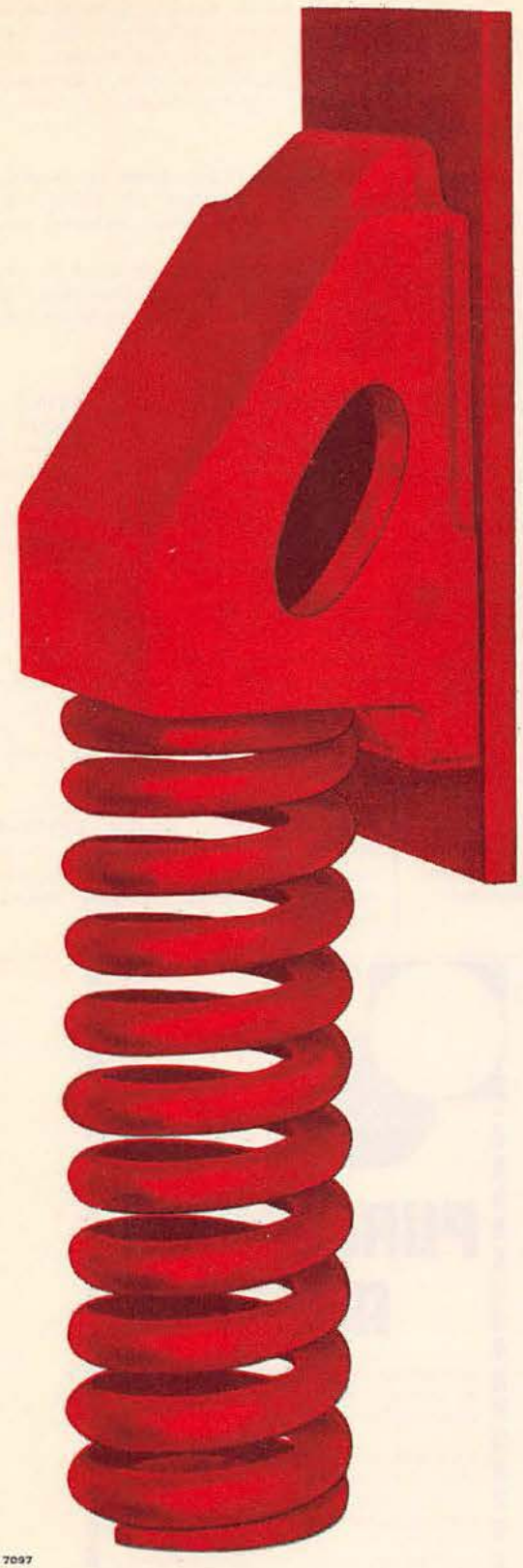

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People in the News

BURLINGTON NORTHERN.—William L. Malone, assistant vice president-regional sales manager, Seattle, transferred to Detroit. Mr. Malone's successor is **Thomas C. Rowley,** transferred from Portland, who in turn is succeeded by **Alfred E. Michon,** assistant vice president, corporate planning, St. Paul. **Charles E. Moehring,** assistant vice presient-regional sales manager, Minneapolis, named to the newly created position of assistant vice president-sales, St. Paul. **Curtis J. Hockaday,** assistant vice president in charge of market development division's energy and metallics section, succeeds Mr. Moehring, and in turn is succeeded by **Robert W. Morrison,** assistant vice president in charge of the manufactured products section. **Albert J. Hoehn,** area director, sales and service, New York, replaces Mr. Morrison.

CANADIAN NATIONAL.—Garth C. Campbell, who for the past five years has been assistant deputy postmaster general responsible for marketing, Canada Post Office, has returned to the CN as vice president, passenger marketing. Mr. Campbell succeeds **Yvon Masse,** named CN's vice president of management services.

CHESSIE SYSTEM.—Doyle S. Morris, general counsel, Cleveland, appointed assistant vice president and general counsel. It was erroneously reported in RA, Oct. 28, p.54, that Mr. Morris had been appointed assistant vice president and general manager.

CHICAGO & NORTH WESTERN.—Ralph A. Windisch, trainmaster, Chicago division, named assistant division manager-transportation-freight, Chicago division.

V.S. Mitchell named assistant chief engineer-signals.

COLORADO & SOUTHERN.—W.H. Ferryman, assistant chief engineer, Denver, Colo., appointed chief engineer, succeeding **Edmund A. Graham,** retired. **J.E. Daume,** division engineer, **Burlington Northern,** Lincoln, Neb., appointed principal assistant engineer, C&S., Denver, succeeding **Daniel H. Scobey,** retired.

DETROIT, TOLEDO & IRONTON.—William B. Galligan appointed director-market planning, a new position, at Dearborn, Mich. Mr. Galligan was formerly manager of business planning, **Illinois Central Gulf. Robert J. Hons,** district sales manager, Cincinnati, appointed director of industrial development Dearborn, a new position. Mr. Hons is succeeded by **S.J. Milligan. Charles F. White,** district sales manager, New York, appointed regional sales manager-merchandise traffic, Dearborn. **J.W. Bigger,** Northwest sales manager, Minneapolis, named regional sales manager, Cincinnati. **W.C. Rank** appointed district sales manager, Chicago.

ILLINOIS TERMINAL.—William E. Sostman elected vice president-operations, St. Louis. **David E. Visney** named general manager, St. Louis.

T.S. Belew and **E.J. Sullivan** appointed assistant general managers, Southern District, McKinley Yard, Ill., and Northern District, Decatur, Ill., respectively. **W.R. Dennis** named assistant superintendent-transportation, St. Louis.

MAINE CENTRAL.—James W. Wiggins, executive vice president, has retired after 44 years of railroad service, including over 30 years with MEC.

Edward D. Galvin appointed director of public relations. Mr. Galvin has been with the Maine Department of Commerce and Industry for the past four years.

MONONGAHELA CONNECTING—ALIQUIPPA & SOUTHERN—CUYAHOGA VALLEY.—Richard L. McCombs appointed chief engineer of these roads which are subsidiaries of the Jones & Laughlin Steel Corp. Mr. McCombs was formerly superintendent of maintenance of way and engineering of the Monongahela Connecting.

NORFOLK & WESTERN.—W.H. Thompson named director operations planning, succeeding **Louis M. Newton,** promoted to assistant general manager-transportation. Mr. Thompson has served for the past four years as president, chief executive officer and a director of **ACI Systems Corp.,** South Holland, Ill.

PENNSYLVANIA TRUCK LINES.—C.D. Driskell, director of maintenance, appointed vice president-operations of this wholly-owned **Penn Central** subsidiary, which performs pickup and delivery services.

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SANTA FE.—**John A. Angold,** special assistant to vice president-operations, named assistant to chief mechanical officer, Chicago.

SOO LINE.—**Dennis M. Cavanaugh** appointed general superintendent. **Harry C. Upton** named director of inventory control.

UNION PACIFIC.—**Kurt H. Schroeder** appointed manager of rates and services, Tokyo, Japan.

WESTERN MARYLAND.—**Joseph F. McKernan** appointed district sales manager, Philadelphia, succeeding **S.J. Williams,** promoted. **R. Stewart Byrant,** assistant manager-marketing, Baltimore, retired Oct. 31.

SUPPLIERS

Patrick G. Welsh has been named director of marketing-passenger, **Pullman-Standard Division** of **Pullman Incorporated.** He was previously associated with **Aerial Transit Systems** of **Nevada, Inc.,** a wholly-owned subsidiary of **Pullman Incorporated.**

Lithcote Co. has opened a rail car lining, coating and repair facility in Longview, Tex.

John I. Madigan has joined the Agricultural Division of **Ciba-Geigy Corp.** as a railroad specialist in the industrial herbicide sales group, Southwestern United States, at Dallas, Tex.

Harry E. Hough has been named assistant vice president-purchasing, **Railcar Division, North American Car Corp.,** to succeed **Louis W. Hansen,** vice president-purchasing, who retires Dec. 31.

Warren B. Brown has been named assistant vice president-warranty and service engineering, **Pullman-Standard division** of **Pullman Incorporated.** He was formerly manager, parts sales and service engineering.

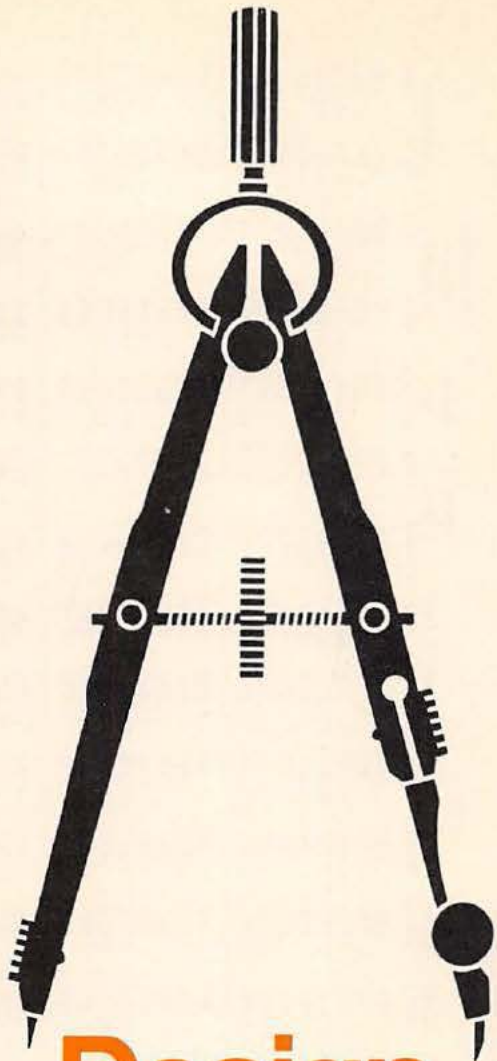
Walter W. Borland has been appointed executive vice president, **Whitehead & Kales Co.,** Detroit, Mich.

Mike Mathews has been named public relations manager for **TRW Systems Group,** Redondo Beach, Calif., reporting to **Ray Weil,** director of public affairs and communications.

John F. Dockum Jr., market manager, transportation, Fiber Glass Division of **PPG Industries,** Pittsburgh, has been appointed manager of plastic reinforcement products and technical services. **James B. Myhre,** technical sales representative, succeeds Mr. Dockum as market manager, transportation. Mr. Myhre will be responsible for developing fiber glass markets related to transportation and will assist Mr. Dockum in providing technical support for fiber glass products used to reinforce thermoplastics.

John D. Perkins, controller and director of administration, **Equipco Division, Unarco Industries,** Chicago, has been promoted to vice president finance and administration.

Steven J. Mortimer, staff accountant, has been promoted to sales administrator, Equipco Division, Unarco Industries.



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Second Quarter Figures of Calendar Year 1974

(Dollar figures are stated in thousands: i.e., with last three digits omitted)

Name of Road		Operating Revenues: Freight	Other	Total 1974	Total 1973	Operating Expenses: Maint. of Roadway and Structures: Total 1974	Total 1973	Deprec. and Retirements	Maint. of Equipment: Total 1974	Total 1973	Deprec. and Retirements	Traffic	Transportation	Total 1974	Total 1973	Operating ratio 1974	Operating ratio 1973	Railway tax accruals	Net railway operating income 1974	Net railway operating income 1973	Net income 1974	Net income 1973
Akron, Canton &	3 mos.	2,199	110	2,309	2,404	289	311	18	398	367	119	77	980	1,907	1,937	82.6	80.5	454	272	508	250	395
Youngstown	6 mos.	4,127	213	4,340	4,510	571	557	47	753	712	239	153	1,903	3,706	3,684	85.4	81.7	823	679	852	550	657
Amtrak	3 mos.	—	67,679	67,679	45,143	2,049	1,075	142	21,939	17,728	2,023	8,650	48,134	114,718	80,788	169.5	178.9	10,446	(60,174)	(42,047)	(64,731)	(42,678)
	6 mos.	—	129,095	129,095	89,157	4,060	2,419	238	43,897	31,513	3,842	16,205	90,886	214,514	153,779	166.2	172.4	21,220	(110,866)	(78,329)	(118,117)	(78,884)
Ann Arbor	3 mos.	2,081	143	2,224	2,982	642	457	24	572	661	145	50	1,216	2,670	2,692	120.0	90.3	275	(963)	(276)	(1,231)	(521)
	6 mos.	3,993	280	4,273	5,665	1,274	936	47	1,098	1,250	290	103	2,341	5,190	5,278	121.4	93.2	538	(2,000)	(661)	(2,528)	(1,120)
Atchison, Topeka &	3 mos.	254,057	12,001	266,058	232,570	40,673	39,841	3,427	52,113	44,097	11,460	5,987	106,254	216,292	189,043	81.30	81.28	27,942	18,441	17,773	19,163	21,478
Santa Fe	6 mos.	494,645	23,858	518,504	452,441	77,923	70,547	6,660	100,924	87,996	22,995	11,879	211,846	425,634	365,866	82.09	80.86	53,474	32,223	35,915	33,080	38,816
Atlanta & West	3 mos.	1,942	83	2,025	1,667	207	173	32	265	215	70	67	793	1,428	1,143	70.5	68.6	205	142	176	125	173
Point	6 mos.	3,735	166	3,901	2,951	413	347	61	484	405	141	135	1,511	2,737	2,145	70.2	72.7	398	239	255	213	278
Auto Train	3 mos.	—	6,567	6,567	3,935	556	318	32	1,051	299	150	551	1,920	5,230	2,991	79.6	76.6	514	617	357	263	292
	6 mos.	—	13,199	13,199	7,857	1,043	604	69	1,796	924	232	1,066	3,806	10,004	6,124	75.7	77.9	918	1,594	609	1,092	454
Baltimore & Ohio	3 mos.	160,315	6,334	166,649	144,017	21,081	17,798	1,858	20,936	19,614	2,778	2,814	60,846	115,524	103,036	69.3	71.5	13,385	16,396	12,588	14,824	10,015
	6 mos.	300,343	11,401	311,744	272,915	37,220	32,843	3,557	41,810	37,548	5,652	5,637	118,016	221,031	197,424	70.9	72.3	26,158	25,073	21,655	20,554	20,764
Bangor & Aroostook	3 mos.	3,524	180	3,704	3,459	1,061	951	76	1,405	1,321	446	93	1,323	4,154	3,827	112.2	110.6	375	240	390	19	95
	6 mos.	7,490	344	7,834	7,263	2,206	1,930	149	2,771	2,600	894	176	2,781	8,476	7,790	108.2	107.2	900	833	1,146	359	515
Bessemer & Lake	3 mos.	14,876	1,478	16,354	14,288	2,179	1,771	206	2,650	2,452	526	190	4,460	10,693	8,985	65.4	62.9	3,319	2,465	1,668	2,802	1,547
Erie	6 mos.	26,634	2,248	28,882	23,787	3,560	3,041	352	4,798	4,726	982	393	7,833	18,928	16,729	65.5	70.3	5,781	4,505	2,463	5,227	2,471
Boston & Maine	3 mos.	19,429	4,007	23,437	20,159	3,271	3,271	518	3,557	3,310	606	400	10,283	19,225	18,101	82.0	89.8	2,080	121	(1,478)	(475)	(2,491)
	6 mos.	37,598	8,183	45,781	41,015	5,904	5,892	951	7,423	6,699	1,216	803	20,942	39,010	36,747	85.2	89.6	4,292	(1,891)	(3,176)	(3,066)	(5,173)
Burlington Northern	3 mos.	297,790	13,933	311,723	266,143	49,101	46,631	5,471	48,790	47,439	11,220	6,609	131,332	252,153	231,058	80.8	86.8	35,206	13,445	2,423	13,121	(206)
	6 mos.	581,399	27,116	608,516	525,057	87,573	80,934	9,724	95,996	91,605	22,382	13,146	252,438	482,022	441,187	79.2	84.0	71,402	37,998	17,631	40,217	11,678
CPR Lines in Maine	3 mos.	2,921	77	2,998	2,531	574	454	71	612	539	47	76	135	2,625	2,149	87.5	84.9	147	(316)	(152)	—	—
	6 mos.	5,533	138	5,676	5,259	969	847	141	1,181	1,031	94	1,149	2,257	4,942	4,184	87.1	79.6	282	(578)	9	—	—
Central RR of	3 mos.	6,906	4,597	11,503	10,785	1,596	1,090	421	1,935	1,543	210	166	335	10,665	8,960	92.7	83.1	1,220	(2,269)	(614)	(120)	(536)
New Jersey	6 mos.	13,729	9,214	22,943	21,538	2,999	2,104	618	4,020	3,039	426	5,939	12,239	21,521	17,716	93.8	82.3	2,518	(4,741)	(1,041)	(3,011)	(1,370)
Central Vermont	3 mos.	2,652	150	2,802	2,422	904	472	51	296	307	15	37	1,307	2,793	2,080	99.7	85.8	317	50	228	(204)	62
	6 mos.	5,190	262	5,452	4,962	1,559	1,016	140	481	594	31	74	2,509	5,065	4,231	92.9	85.2	611	463	664	150	348
Chesapeake &	3 mos.	140,291	7,143	147,434	129,941	16,746	14,342	1,717	23,711	22,473	6,075	2,320	53,966	104,196	98,579	70.7	75.9	20,516	18,199	14,020	16,452	11,842
Ohio	6 mos.	254,865	12,167	267,032	242,015	30,437	26,916	3,265	46,689	43,872	12,173	4,829	102,667	200,196	188,643	75.0	77.9	32,055	26,052	21,800	21,945	17,911
Chicago & Eastern	3 mos.	13,787	239	14,026	11,507	1,762	1,959	65	2,143	1,911	692	236	4,767	9,382	8,113	66.89	70.50	1,525	2,857	1,842	2,598	2,088
Illinois	6 mos.	26,238	444	26,682	22,151	3,460	3,849	99	3,892	3,596	1,332	505	9,437	18,239	15,734	68.36	71.03	2,863	5,301	3,081	4,542	3,096
Chicago & North	3 mos.	108,598	13,024	121,622	102,242	16,885	12,097	(130)	17,951	16,746	3,551	2,555	52,483	95,575	79,641	78.6	77.9	10,885	4,553	4,491	2,281	4,277
Western	6 mos.	210,619	25,346	235,964	202,822	28,771	21,614	(38)	36,075	31,839	6,934	5,104	103,857	185,360	154,199	78.6	76.0	21,422	9,240	14,624	5,261	11,624
Chicago, Milwaukee,	3 mos.	93,379	7,717	101,096	89,518	15,672	15,790	1,813	13,552	11,917	2,501	2,665	41,226	78,512	71,686	77.7	80.1	9,678	3,970	1,472	3,651	1,215
St. Paul & Pacific	6 mos.	177,062	14,972	192,034	175,711	27,707	28,521	3,472	26,459	24,323	5,030	5,175	80,150	150,008	139,148	78.1	79.2	19,053	5,076	4,420	4,285	3,163
Chicago, Rock Island	3 mos.	87,507	5,537	93,044	82,242	11,810	10,436	1,270	16,649	14,743	1,556	2,022	42,013	76,742	68,314	82.5	83.1	8,806	(4,969)	(5,597)	(4,922)	(5,015)
& Pacific	6 mos.	167,921	10,847	178,768	163,586	22,500	20,676	2,137	32,497	28,555	3,169	4,188	82,769	150,341	133,591	84.1	81.7	16,070	(14,329)	(8,908)	(14,368)	(8,170)
Clinchfield	3 mos.	11,842	250	12,092	10,592	1,226	1,130	87	1,992	1,797	692	309	3,873	7,708	6,463	63.7	61.0	1,191	3,122	2,946	—	—
	6 mos.	24,033	481	24,514	20,110	2,492	2,098	173	4,048	3,400	1,326	589	7,292	15,015	12,431	61.3	61.8	2,375	6,775	5,233	—	—
Colorado & Southern	3 mos.	8,942	228	9,171	7,575	1,890	1,225	63	1,221	928	468	23	3,323	6,882	5,618	75.0	74.2	529	1,776	1,032	1,460	593
	6 mos.	17,390	466	17,856	15,254	3,085	1,984	100	2,380	2,460	936	45	6,746	13,133	11,466	73.6	75.2	935	3,566	1,682	3,066	773
Delaware & Hudson	3 mos.	12,423	301	12,724	11,112	1,422	1,529	128	2,481	2,231	392	367	4,779	9,814	8,905	77.1	80.1	1,628	701	338	462	1,633
	6 mos.	24,083	693	24,776	22,444	2,663	2,682	204	5,197	4,470	783	723	9,513	19,685	17,513	79.5	78.0	3,209	827	1,072	589	2,139
Denver & Rio Grande	3 mos.	32,672	909	33,581	28,998	4,876	4,537	575	5,685	4,999	628	1,117	12,005	25,053	22,095	74.6	76.2	4,129	4,647	4,098	4,325	3,563
Western	6 mos.	62,258	1,601	63,859	57,199	8,548	8,144	1,502	11,164	9,675	2,274	2,217	23,033	47,928	42,397	75.1	74.1	8,382	8,102	8,131	7,319	7,450
Detroit & Toledo	3 mos.	2,093	197	2,290	2,376	358	251	32	370	363	109	85	755	1,729	1,547	75.5	65.1	324	102	265	119	258
Shore Line	6 mos.	4,226	334	4,561	4,581	720	505	75	745	726	218	164	1,519	3,460	3,087	75.9	67.4	651	168	435	203	416

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Second Quarter Figures of Calendar Year 1974

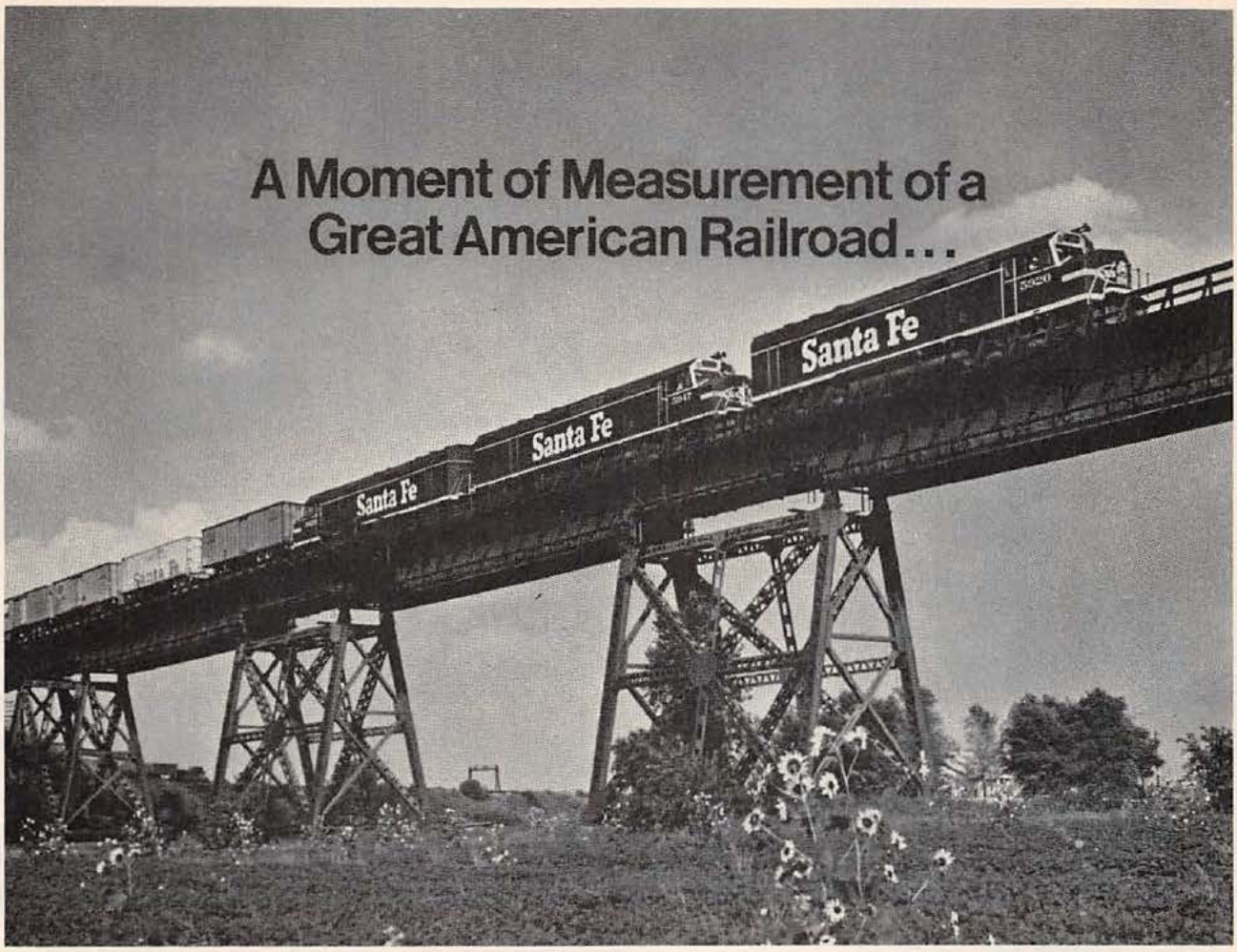
(Dollar figures are stated in thousands: i.e., with last three digits omitted)

Name of Road		Operating Revenues: Freight	Other	Total 1974	Total 1973	Operating Expenses: Maint. of Roadway and Structures: Total 1974	Total 1973	Deprec. and Retirements	Maint. of Equipment: Total 1974	Total 1973	Deprec. and Retirements	Traffic	Transportation	Total 1974	Total 1973	Operating ratio 1974	Operating ratio 1973	Railway tax accruals	Net railway operating income 1974	Net railway operating income 1973	Net income 1974	Net income 1973
Detroit, Toledo &	3 mos.	11,482	955	12,437	11,769	1,280	1,309	110	2,195	2,142	417	326	4,472	9,165	9,029	73.7	76.7	1,445	794	709	523	1,073
Ironton	6 mos.	22,515	1,998	24,512	23,788	2,476	2,550	213	4,265	4,244	821	631	9,241	18,320	17,911	74.7	75.3	2,296	1,118	1,788	552	2,042
Duluth, Missabe &	3 mos.	18,866	1,815	20,681	17,475	2,530	1,781	241	2,568	1,952	584	83	4,906	11,595	9,399	56.1	53.8	5,846	3,480	3,239	3,796	3,538
Iron Range	6 mos.	27,454	2,035	29,489	24,543	4,700	3,466	531	4,974	3,953	1,165	160	8,358	21,119	17,192	71.6	70.0	6,973	2,660	2,524	3,429	3,066
Duluth, Winnipeg	3 mos.	4,305	49	4,355	3,979	1,275	543	22	631	342	3	—	1,521	3,565	2,349	81.9	59.1	476	190	1,244	97	1,151
& Pacific	6 mos.	8,358	80	8,438	8,066	1,648	834	42	1,047	739	5	—	2,902	5,878	4,460	69.7	55.3	923	1,867	2,861	1,682	2,629
Elgin Joliet &	3 mos.	16,655	9,599	26,254	21,514	2,057	2,260	139	2,812	2,738	528	286	8,697	16,301	15,553	62.1	72.3	5,606	3,014	1,158	3,769	1,755
Eastern	6 mos.	32,694	19,389	52,082	43,248	3,618	3,938	269	6,120	5,579	1,039	560	17,607	32,770	30,409	62.9	70.3	10,786	5,743	2,888	7,133	3,868
Erie Lackawanna	3 mos.	74,332	11,558	85,890	74,231	8,537	9,772	763	12,177	12,115	1,917	1,432	39,065	65,404	60,350	76.1	81.3	8,018	2,870	958	(25)	1,719
	6 mos.	139,238	20,789	160,026	144,611	15,435	16,613	1,527	24,930	24,322	3,802	2,892	75,857	126,848	117,421	79.3	81.2	15,854	280	752	(4,725)	(4,284)
Florida East	3 mos.	11,477	391	11,868	11,884	2,493	2,950	182	1,370	1,022	395	272	3,059	7,743	7,215	65.2	60.7	1,810	988	1,355	1,784	2,556
Coast	6 mos.	23,766	911	24,677	23,958	5,183	5,630	396	2,616	1,959	727	536	5,974	15,398	14,031	62.4	58.6	4,065	2,260	3,510	3,463	4,769
Ft. Worth &	3 mos.	7,982	94	8,077	9,770	1,657	1,263	68	828	743	63	74	4,220	7,342	7,139	90.9	73.1	685	(1,173)	(19)	(1,355)	(38)
Denver	6 mos.	17,531	629	18,160	18,129	3,210	2,096	132	2,106	1,462	164	149	10,242	16,789	13,077	92.5	72.1	1,400	(3,164)	306	(3,387)	230
Georgia	3 mos.	3,408	144	3,552	2,807	450	410	(37)	480	430	118	112	1,579	2,779	2,259	78.2	80.5	292	61	148	—	—
	6 mos.	6,360	277	6,638	5,303	900	780	22	976	860	233	224	3,006	5,424	4,451	81.7	83.9	575	(165)	(46)	—	—
Grand Trunk	3 mos.	27,765	1,564	29,329	28,407	3,247	3,570	222	3,922	3,951	133	524	13,100	22,788	22,692	77.7	79.9	3,156	(1,393)	(308)	(1,914)	(613)
Western	6 mos.	52,795	2,951	55,746	56,076	6,570	7,140	478	7,644	7,505	266	1,028	26,040	45,233	44,595	81.1	79.5	6,301	(4,568)	(1,060)	(5,219)	(1,744)
Green Bay &	3 mos.	2,434	77	2,511	2,214	483	276	23	334	294	56	154	857	2,011	1,673	80.09	75.55	376	33	160	111	158
Western	6 mos.	4,597	197	4,794	4,273	762	560	47	631	541	111	305	1,673	3,740	3,266	78.01	76.42	624	149	234	247	244
Illinois Central	3 mos.	137,914	10,713	148,627	133,917	19,910	18,122	1,604	22,937	22,613	4,617	2,834	57,747	111,518	102,052	75.0	76.2	18,290	8,932	9,804	4,830	11,706
Gulf	6 mos.	263,737	22,281	286,018	260,775	39,525	35,405	3,153	45,466	42,542	9,106	5,734	115,280	222,070	197,474	77.6	75.7	30,889	11,267	22,041	6,143	21,101
Illinois Terminal	3 mos.	3,740	741	4,481	3,624	377	513	5	661	510	195	127	1,851	3,281	2,819	73.2	77.8	373	1,021	397	792	185
	6 mos.	7,114	1,350	8,464	7,388	729	898	23	1,381	1,011	391	250	3,703	6,606	5,445	78.1	73.7	737	1,743	1,220	1,209	807
Kansas City	3 mos.	31,716	2,216	33,932	29,482	5,330	4,310	256	5,478	4,647	1,318	1,046	12,187	25,473	22,544	75.1	76.5	2,707	2,171	1,199	1,359	(221)
Southern	6 mos.	60,996	4,475	65,471	58,898	9,611	7,774	513	11,555	9,054	2,596	2,063	24,624	50,652	43,845	77.4	74.4	4,642	2,305	3,383	170	800
Lake Superior &	3 mos.	1,389	604	1,994	2,087	336	320	90	496	396	192	9	714	1,727	1,440	86.6	143.9	257	142	588	48	539
Ishpeming	6 mos.	1,585	1,034	2,619	2,619	675	566	177	975	737	384	17	1,153	3,132	2,482	119.5	94.7	453	(699)	56	(862)	(34)
Lehigh Valley	3 mos.	17,594	594	18,188	14,528	1,912	1,962	223	2,958	2,921	377	430	7,425	13,992	12,947	76.4	89.1	1,710	(251)	(2,251)	(505)	(2,329)
	6 mos.	33,008	1,053	34,061	28,809	3,958	3,934	479	6,028	5,875	761	877	14,825	27,999	26,115	82.2	90.6	3,400	(2,816)	(5,101)	(3,301)	(5,713)
Long Island	3 mos.	2,538	24,497	27,036	24,756	7,041	5,877	674	8,716	8,258	1,246	192	22,832	44,664	40,072	165.2	161.9	3,517	(23,064)	(19,212)	(23,237)	(19,965)
	6 mos.	4,962	48,322	53,284	42,257	13,747	9,972	1,111	17,660	14,724	2,539	392	44,027	87,540	70,058	164.3	165.8	6,952	(44,944)	(35,314)	(45,641)	(33,587)
Louisville &	3 mos.	145,049	4,505	149,554	123,257	19,470	15,797	1,485	25,136	23,004	7,540	2,438	57,899	111,331	94,234	74.4	76.5	15,077	14,815	11,046	11,364	6,425
Nashville	6 mos.	280,147	8,661	288,808	241,528	37,212	32,204	2,993	50,390	44,914	15,164	4,990	113,847	219,240	186,871	75.9	77.4	28,951	25,355	19,282	19,220	10,828
Maine Central	3 mos.	8,238	182	8,420	7,319	1,830	1,565	93	1,786	1,567	304	131	2,888	7,153	6,409	85.0	87.6	666	445	278	297	79
	6 mos.	16,502	384	16,885	15,037	3,462	3,068	187	3,607	3,112	622	269	5,863	14,239	12,861	84.3	85.5	1,570	1,435	1,096	1,166	607
Minneapolis, North-	3 mos.	1,244	155	1,399	1,507	150	165	15	179	198	54	147	406	1,039	1,091	74.3	72.4	253	66	105	109	168
field & Southern	6 mos.	2,335	262	2,597	2,930	268	330	30	366	362	109	287	785	1,017	2,111	77.7	72.0	439	74	204	155	286
Missouri Illinois	3 mos.	1,970	53	2,023	1,774	242	291	9	812	819	427	63	589	1,807	1,707	89.3	96.2	555	974	905	779	715
	6 mos.	3,970	152	4,122	3,678	478	485	18	1,538	1,561	858	123	1,108	3,448	3,200	83.6	87.0	1,195	2,174	1,924	1,744	1,498
Missouri-Kansas	3 mos.	23,013	1,257	24,270	22,819	2,780	3,007	264	2,930	3,240	330	997	10,144	17,925	17,289	73.9	75.8	2,115	156	(908)	227	(910)
Texas	6 mos.	45,487	2,727	48,214	44,804	5,603	5,477	528	6,008	6,069	664	1,994	19,863	35,592	33,066	73.8	73.8	4,224	(204)	(627)	(517)	(5,665)
Missouri Pacific	3 mos.	148,590	7,335	155,925	131,058	20,316	18,553	386	21,028	21,106	4,190	2,970	59,326	109,112	97,436	70.0	74.3	14,068	16,301	9,911	12,862	5,205
	6 mos.	292,091	14,118	306,219	254,032	40,436	35,123	1,689	43,549	41,509	8,549	5,775	115,806	216,549	189,453	70.7	74.6	27,279	29,812	20,006	21,951	10,044
Monongahela	3 mos.	2,371	19	2,390	1,781	475	448	21	169	256	20	4	494	1,198	1,222	50.1	68.6	223	751	257	267	(306)
	6 mos.	4,904	34	4,938	3,450	886	903	69	409	511	40	7	1,024	2,440	2,481	49.4	71.9	481	1,632	415	860	(708)
Norfolk & Western	3 mos.	242,144	9,438	251,582	213,272	28,390	26,158	2,599	40,754	37,967	13,311	4,403	88,815	173,319	155,498	68.9	72.9	34,614	36,090	30,593	31,616	21,695
	6 mos.	459,877	17,595	477,472	420,558	51,375	47,488	5,407	80,191	76,015	26,531	8,910	173,009	335,137	304,378	70.2	72.4	60,530	66,593	61,285	67,589	43,420

Second Quarter Figures of Calendar Year 1974

(Dollar figures are stated in thousands: i.e., with last three digits omitted)

Name of Road		Operating Revenues: Freight	Other	Total 1974	Total 1973	Operating Expenses: Maint. of Roadway and Structures: Total 1974	Total 1973	Deprec. and Retirements	Maint. of Equipment: Total 1974	Total 1973	Deprec. and Retirements	Traffic	Transportation	Total 1974	Total 1973	Operating ratio 1974	Operating ratio 1973	Railway tax accruals	Net railway operating income 1974	Net railway operating income 1973	Net income 1974	Net income 1973
Northwestern	3 mos.	3,681	17	3,698	3,106	1,165	798	68	258	253	3	26	1,248	2,820	2,259	76.2	72.7	353	(176)	82	(118)	377
Pacific	6 mos.	6,705	35	6,739	6,283	2,499	1,796	131	626	537	5	38	2,369	5,777	4,723	85.7	75.2	728	(1,257)	(15)	5,522	320
Oregon Electric	3 mos.	1,746	141	1,887	1,702	210	183	35	43	47	75	9	828	1,150	1,056	61.0	62.1	277	72	122	92	138
	6 mos.	3,238	273	3,512	3,163	442	369	47	89	94	150	18	1,562	2,232	2,091	63.6	66.1	467	12	33	107	149
Penn Central	3 mos.	489,974	79,635	569,609	498,240	74,208	68,431	8,197	87,988	81,747	13,294	5,138	257,033	448,143	410,195	78.7	82.3	53,197	(11,761)	(21,647)	(35,312)	(27,856)
	6 mos.	939,558	155,233	1,094,791	972,524	139,332	126,380	16,348	178,019	163,690	26,702	10,488	513,601	889,250	806,889	81.2	83.0	105,740	(54,168)	(52,994)	(103,579)	(83,104)
Penn Reading	3 mos.	2,734	432	3,166	2,377	683	635	64	356	344	27	16	1,966	3,157	2,828	99.7	119.0	321	(957)	(1,159)	4,955	(1,309)
Seashore Line	6 mos.	5,094	823	5,917	4,953	1,349	1,285	176	688	696	54	32	3,902	6,248	5,711	105.6	115.3	653	(2,212)	(2,255)	3,559	(2,559)
Pittsburgh &	3 mos.	12,134	1,162	13,296	11,126	2,006	1,917	167	4,326	4,485	1,520	211	4,681	12,093	11,626	91.0	104.5	3,110	3,359	2,858	3,221	2,563
Lake Erie	6 mos.	22,117	2,457	24,574	20,778	3,682	3,344	338	9,074	8,818	3,101	419	9,421	24,278	22,433	98.8	108.0	5,420	5,680	5,152	5,389	4,731
Reading	3 mos.	30,759	7,036	37,795	32,441	5,027	4,762	576	6,050	5,825	1,082	748	16,686	30,653	28,153	81.1	86.8	4,172	(475)	(1,748)	(1,690)	(2,987)
	6 mos.	58,057	14,319	72,376	61,932	9,940	9,107	1,183	12,047	11,802	2,212	1,476	32,616	60,279	55,375	83.3	89.4	8,301	(3,141)	(5,416)	(5,393)	(7,649)
Richmond Fredericks-	3 mos.	7,608	582	8,190	7,283	907	863	125	916	921	297	135	1,981	4,442	4,201	54.2	57.7	2,546	1,340	1,379	2,366	1,732
burg & Potomac	6 mos.	14,927	1,381	16,309	14,159	1,768	1,711	251	1,829	1,830	587	268	4,026	8,813	8,009	54.0	56.6	4,675	2,675	2,885	4,145	3,491
St. Louis - San	3 mos.	69,371	3,584	72,956	63,320	10,098	9,447	851	10,325	9,668	2,519	2,078	28,890	54,589	50,161	74.8	79.2	7,243	6,742	3,791	7,532	3,160
Francisco	6 mos.	133,749	7,231	140,980	125,709	18,984	18,632	1,513	19,604	19,472	5,040	4,167	56,607	105,706	98,648	75.0	78.5	13,700	11,758	8,322	10,075	5,051
St. Louis South-	3 mos.	46,663	477	47,140	41,877	4,523	5,519	308	10,989	9,906	3,840	984	16,495	33,984	32,367	72.09	77.29	6,437	8,166	8,278	8,534	8,503
Western	6 mos.	89,622	970	90,592	82,197	9,200	9,685	604	21,177	19,041	7,674	1,984	32,806	67,200	61,776	74.18	75.16	11,358	19,883	18,075	20,161	18,381
Seaboard Coast	3 mos.	170,626	6,469	177,095	155,943	22,756	20,888	1715	31,013	28,194	6,977	3,315	67,910	131,366	118,376	74.2	75.9	16,578	15,925	8,153	17,621	10,648
Line	6 mos.	331,681	12,786	344,467	308,827	44,429	43,370	3,396	60,495	55,937	14,015	6,581	132,229	255,993	234,002	74.3	75.8	31,982	29,660	18,026	20,041	22,665
Soo Line	3 mos.	47,703	1,256	44,959	41,768	8,404	7,435	300	6,232	5,430	1,127	966	15,852	33,110	29,983	73.6	71.8	5,435	3,078	4,442	2,964	3,996
	6 mos.	88,224	2,317	90,541	82,687	13,453	12,097	667	12,151	10,196	2,288	1,929	31,424	62,247	55,669	68.8	67.3	12,615	8,657	11,063	8,431	9,955
Southern	3 mos.	223,032	10,094	233,126	199,993	38,841	32,446	3,787	34,997	33,483	10,752	4,305	71,456	159,879	138,274	68.6	69.1	37,224	32,303	26,885	29,991	20,246
	6 mos.	425,518	19,472	444,990	390,049	74,167	63,382	7,819	68,658	65,111	21,322	8,053	137,303	308,845	271,266	69.4	69.5	67,848	60,122	51,317	49,498	38,556
Southern Pacific	3 mos.	334,268	8,967	343,235	302,573	43,388	37,070	3,091	58,604	57,274	15,461	4,985	133,623	258,195	235,815	75.2	77.9	33,996	25,932	20,162	52,877	24,975
	6 mos.	630,890	18,705	649,595	580,398	85,424	73,657	6,198	114,202	110,138	30,794	9,898	258,056	503,022	457,715	77.4	78.9	65,239	34,470	33,879	60,328	34,566
Texas & Pacific	3 mos.	36,828	1,294	38,122	32,535	5,126	4,840	382	6,306	5,598	1,535	1,147	16,746	30,563	25,575	80.2	78.6	3,266	3,239	4,110	2,794	3,418
	6 mos.	71,195	2,410	73,605	62,774	9,832	8,671	775	11,858	10,993	3,005	2,276	32,104	58,552	49,421	79.5	78.7	6,263	7,113	7,229	6,232	6,073
Texas Mexican	3 mos.	2,479	492	2,971	2,123	348	433	19	171	185	48	105	729	1,604	1,436	53.9	67.66	567	377	126	419	307
	6 mos.	4,614	893	5,506	3,788	719	810	39	331	345	95	203	1,428	3,080	2,743	55.9	72.41	1,068	619	113	735	347
Toledo, Peoria	3 mos.	3,363	214	3,577	3,287	546	476	18	317	284	73	253	1,310	2,662	2,410	75.1	73.3	385	117	210	141	224
& Western	6 mos.	6,625	443	7,068	6,250	1,001	804	36	626	581	141	496	2,562	5,170	4,625	73.2	74.0	750	315	374	324	369
Union Pacific	3 mos.	242,377	7,075	149,451	215,081	32,430	28,100	2,446	42,567	38,571	14,767	5,611	88,684	182,702	160,063	73.2	74.4	31,252	37,811	35,453	31,562	29,276
	6 mos.	465,642	14,417	480,059	418,839	62,555	54,160	4,758	83,783	75,828	29,252	10,919	176,366	358,815	312,222	74.7	74.5	58,065	69,362	68,780	57,797	56,097
Western Maryland	3 mos.	16,714	1,119	17,834	13,723	1,730	1,851	204	2,673	2,576	835	370	6,260	12,362	11,213	69.3	81.7	2,661	2,067	1,480	1,728	575
	6 mos.	32,565	2,211	34,776	26,636	3,278	3,748	404	5,192	5,307	1,646	797	12,505	23,968	22,406	68.9	84.1	5,181	4,662	2,280	3,825	539
Western Pacific	3 mos.	25,551	428	25,978	22,544	3,604	3,407	354	3,915	3,599	805	996	11,213	21,562	18,763	83.0	83.2	2,805	1,087	1,256	1,139	1,013
	6 mos.	47,412	931	48,344	43,887	6,589	6,400	715	7,609	7,176	1,624	1,947	20,908	40,727	36,595	84.2	83.4	4,978	1,633	2,174	1,677	1,756
Western Railway	3 most.	2,057	24	2,082	1,752	260	206	39	270	205	65	70	826	1,528	1,297	73.4	74.0	241	77	100	104	113
of Alabama	6 mos.	4,086	51	4,137	3,093	488	364	76	530	410	129	141	1,674	3,033	2,374	73.3	76.8	472	139	132	169	139



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Market Outlook

CARLOADINGS

Loadings of revenue freight in the week ended Nov. 9 totaled 534,210 cars, according to the Association of American Railroads. This was a decrease of 12,332 cars, or 2.3%, compared with the previous week, and a decrease of 22,826 cars, or 4.1%, compared with the corresponding week last year. Ton-miles generated by carloadings in the week ended Nov. 9 are estimated at 17.3 billion, a decrease of 1.5% below the corresponding week of 1973.

REVENUE FREIGHT CARLOADINGS

Commodity	Nov. 9 week	Nov. 2 week
Grain	32,665	31,176
Farm products	14,018	14,458
Metallic ores	42,114	48,726
Coal	106,993	103,641
Crushed stone, gravel & sand	24,943	26,726
Nonmetallic minerals	15,740	16,724
Grain mill products	20,363	19,725
Food and kindred products	22,770	23,364
Primary forest products	23,213	22,686
Lumber & wood products (except furniture)	11,707	12,321
Pulp, paper & allied products	22,086	23,545
Chemicals & allied products	28,847	28,248
Petroleum products	8,284	8,482
Stone, clay & glass products	20,141	20,007
Coke	7,754	8,999
Metals & products	24,132	26,600
Motor vehicles & equipment	25,280	26,484
Waste & scrap materials	17,747	18,437
Forwarder & shipper assn. traffic	10,294	10,682
All other carloads	54,613	56,597
LCL traffic	506	528
Total cars loaded	**534,210**	**548,156**
Cumulative total, 45 weeks	1974	1973
	23,448,005	**23,814,227**
Estimated revenue ton-miles (billions) 45 weeks	752.1	739.1

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended Nov. 2, which included the Veteran's Day holiday, totaled 28,519 cars (12.9% below the corresponding week last year) and 49,013 trailers or containers (down 14.8% from 1973). Cumulative volume for the first 44 weeks of 1974 is 1,310,571 cars (up 0.9% from last year) and 2,262,743 trailers or containers (up 0.6% from 1973).

IN CANADA

Canadian railway revenue freight loaded in the seven-day period ended Oct. 21 totaled 4.4 million tons, down 21.2% from 1973. Cars loaded decreased 16.3% to 78,018. Cumulative loadings for 1974 were up to 194.75 million tons (2.1% above 1973).

● *Chessie System.*—Estimates that its 1975 capital expenditures will reach $140 million, of which about $120 million will be for equipment.

● *Denver & Rio Grande Western.*—Capital expenditures for 1975 are planned at $40 million, which would be an 80% increase over 1974 figures.

● *Illinois Central Gulf.*—Although 1975 capital expenditure plans are not yet final, proposals are that they will be some 25% higher than the originally announced $100-million-plus for 1974.

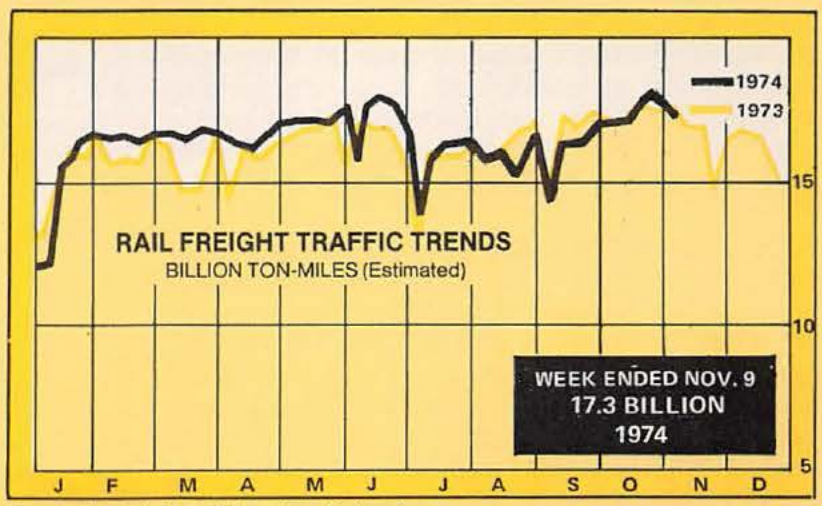
● *Missouri Pacific.*—Estimated capital expenditures in 1975 will total about $137 million.

● *Norfolk & Western.*—Capital expenditures next year will be an estimated $101 million, approximately the same as in 1974.

● *Rohr Industries.*—Announced receipt of a $968,000 contract from the Federal Railroad Administration for a high-speed, magnetically-suspended research vehicle. Rohr will design a wheelless, tracked, magnetically-levitated vehicle transportation system. The system would use vehicles carrying 80 passengers at 300 mph. The vehicles will be capable of being coupled together in a train to increase line capacity. The concept will be incorporated in a small research vehicle which will be accelerated to 300 mph by rockets to test the magnetic suspension system. A one-kilometer test track will be built at the Naval Weapons Center, China Lake, Calif.

● *Southern.*—Record-high expenditures of about $175 million in 1974 are expected to be followed by a slightly lower outlay in 1975.

● *Trailer Train.*—Ordered 401 flat cars as follows: from Pullman-Standard—359 low-level cars; from Bethlehem Steel—40 standard-level cars; from Thrall—2 60-ft cars (the Bethlehem and P-S cars will be 89 ft, 4 in. long). Since Jan. 1, TTX has purchased 5,264 new cars. TTX cars in service and on order totaled 75,709 on Oct. 31.



Source: Association of American Railroads

Moving Freight

CNJ WILL CONTINUE FREIGHT OPERATIONS

A shutdown of Central of New Jersey's freight operations, which had been threatened for Nov. 1, was averted when the U.S. Department of Transportation agreed to make $6 million available to CNJ, under Section 213 of the Northeast Rail Reorganization Act, to ensure "continued provision of essential freight transportation services" at least through June 30, 1975. Earlier the DOT had approved a Section 213 grant of $1.24 million to CNJ for freight terminal improvements. The State of New Jersey, meanwhile, has agreed to continue subsidies to the railroad for maintaining commuter operations.

CHESSIE RESUMES A CARFERRY SERVICE

Chessie System has completed a $1-million modernization of Carferry No. 10 and the ferrying of railroad freight cars has resumed across the St. Clair River between Port Huron, Mich., and Sarnia, Ont. The vessel's four 10 ½-ft propellors and bridge were removed and No. 10 was converted to a 498-foot-long barge. It is pushed by a 98-foot power unit which has three 900-hp diesel outboard engines at the stern; the vessel previously burned coal. The trip across the river takes a half hour and No. 10's 385 feet of tracks can carry a total of 24 cars. The vessel can make four trips each eight-hour shift, providing an important link between the Saginaw and Canadian Divisions of the Chessie System.

PC INAUGURATES "FACTERMINAL"

Penn Central has notified 3,000 shippers and receivers that its "FACTerminal" program has now been implemented. Said George M. Casady, director-stations: "The program assures centralized, high-speed processing of paperwork at five FACTerminals and personalized, service-on-demand to the railroad's freight customers through traveling representatives who are dispatched from 28 field terminals." He said each field terminal will be manned by traveling representatives operating in a manner similar to that of utility company repairman, who are dispatched when and where needed.

PC COMBINES PRICING, MARKETING FUNCTIONS

In a move designed to "increase efficiency, improve customer service, generate additional revenues and contribute to the evaluation and assignment of rail equipment," the Penn Central is restructuring and combining pricing and marketing functions which previously existed as separate groups within the marketing department. Paul Funkhouser, senior vice president-sales and marketing, said the effect of the move is to create five new modules or groups of previously separate pricing and marketing activities for consumer products, metals, chemicals, construction materials, and agricultural products. Said Funkhouser: "Accountability is the theme of the reorganization. It grows out of the success of the modular concept for our automotive and intermodal operations developed in 1971 and subsequently expanded. Each module is headed by a director possessing expertise in his commodity field." Welborn E. Alexander, Jr., vice president-marketing, said the director of each module will have total responsibility for the priorities, projects and revenues for his respective commodity group, and for accurately determining equipment requirements. "The new organization permits a more coordinated and efficient deployment of our existing manpower and provides a simple means of monitoring performance," said Alexander.

INFLATION IS CITL THEME

"Inflation and Transportation" will be one of two major themes at the 59th annual general meeting of the Canadian Industrial Traffic League, scheduled for the Queen Elizabeth Hotel at Montreal Feb. 26-27, 1975. Problems relating to metric conversion will also get an airing.

UNIT TRAIN DELIVERS MOLTEN SULFUR

Chevron Chemical Co. has announced the completion of the first unit-train movement of molten sulfur into the U.S. from Canada. The 45-car train, carrying more than 4,000 long tons of liquid sulfur, was loaded at Chevron's Kaybob gas plant in northwest Alberta and shipped to Mobil Oil's plant at Depue, Ill. Chevron said the five-day transit time represented a saving of four days when compared with shipments of individual cars over the same route.

BN AWARDS COAL-SPUR CONTRACT

Burlington Northern has awarded an engineering contract to International Engineering Co., Inc., a subsidiary of Morrison-Knudsen, for a 13-mile coal-haul spur from the mainline track at Acme, Wyo., into Big Horn County, Mont. The spur will serve the Crow Coal Lease being developed by Shell Oil. James F. Pearce, chief of IECO's railroad division, will serve as project executive. Stuart M. Robertson, who was project engineer for the Black Mesa & Lake Powell electrified coal-haul railroad in Arizona, will be project manager for the new Burlington Northern facility.

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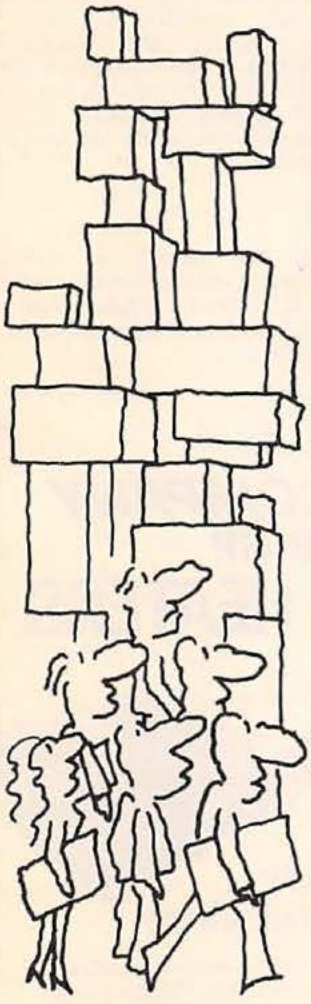

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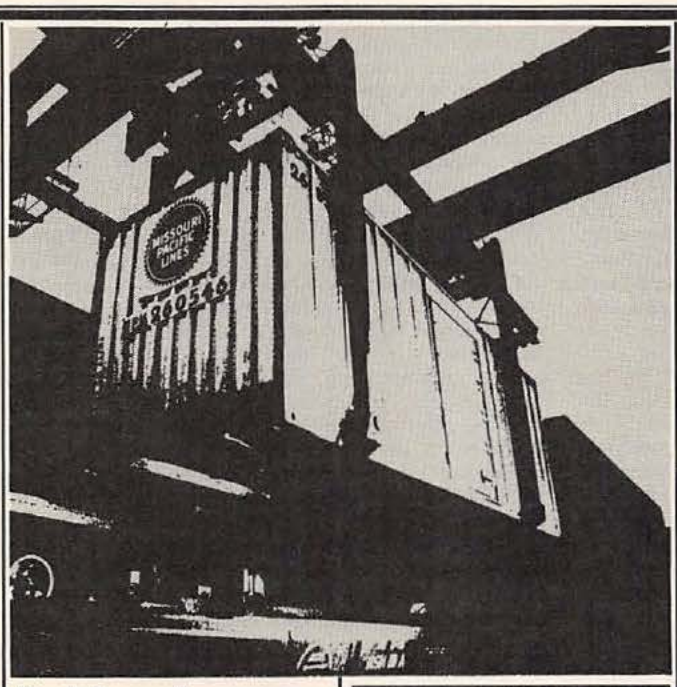

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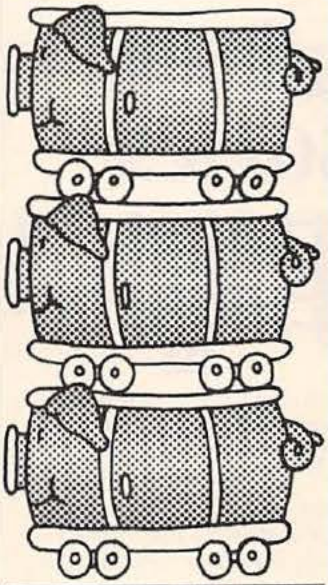

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75 YEARS AGO IN The Railway Age and Railroad Journal

(Nov. 17 and Nov. 24, 1899)

The Wall Street Journal observes that "the large roads have begun to devote a great deal of attention to plans for getting the most use of their equipment." This is because "the cry of the railroads is now not so much for more cars as for more terminal facilities, since, if the cars could be unloaded fast enough at the terminals the equipment would be adequate to supply the needs of business the coming winter." The disposition to stiffen up demurrage rules seems to be general, and at this point the old question of mileage or per diem for the use of cars comes forward again. What other plans for getting the most use of the equipment are under consideration does not yet appear. On the whole, probably the greatest leak in the freight transportation business to-day is to be found right at this point. Any plan for getting even one hour's movement a day more than is now secured from it out of the total freight equipment of the United States must be worthy of consideration at a time in which the great railroads are putting millions of new capital into thousands of new freight cars, not because there are not enough cars already, but because it is beyond the ingenuity of the present generation to keep them moving more than about two hours out of the twenty-four.

***

The telegraph and the railway are so intimately associated that improvements in the one closely concern the other. Old-time operators have not yet grasped the possibilities of the new invention of wireless telegraphy, and now they are confronted with an automatic device by which it is expected to send 600 words a minute. This latest discovery is to be tested in Chicago in a few days, under the auspices of a company which has had the enterprise to bring the two inventors, Pollak and Virag, from Buda-Pesth, Hungary, for the purpose. The invention is described in general as an automatic sender and receiver of electrical pulsations, which will transmit more than 600 words a minute. A perforated strip of paper, the perforations representing the signs of the Morse code, is passed through the sending machines and the code signs are repeated in the receiving machine. The pulsations of the electrical current are reflected on a small concave mirror and are photographed as reflected. A sensitized strip of paper receives the photographic impressions and they are reeled out to the operator for translation much the same as a ribbon in an old Morse telegraphing machine. The first test will be an attempt to send 600 words a minute over a distance of 600 miles.

***

SOUTHERN PACIFIC.—Surveys are being made for a cutoff from the Nevada State line across the North Arm of Great Salt Lake to Ogden, Utah. It will be necessary to build a pile trestle in the lake, but a saving of about 50 miles in distance would be affected.

***

The International Correspondence Schools of Scranton, Pa., have recently adopted the stereopticon as a part of the working equipment of the cars which are used to supplement the regular courses of instruction in railroad work. . . A great number of slides have been prepared and are being increased in number daily, including not only the various diagrams and illustrations forming a part of the instruction sheets and text books of the schools, but also a variety of subjects illustrative of facts and principles frequently occurring in railroad work.

***

During the month of October, 138,186 cars were handled by the Philadelphia Car Service Association, of which 94.88 per cent were detained less than 48 hours.

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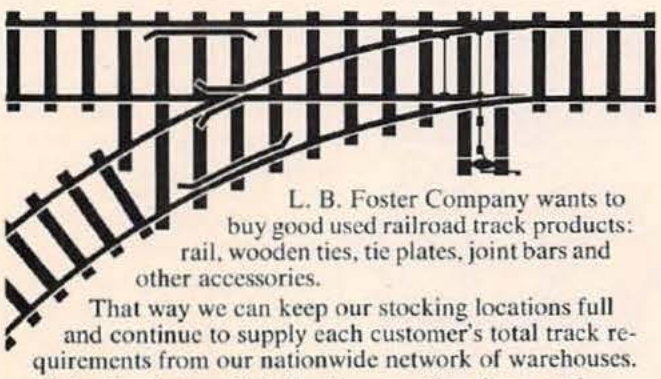

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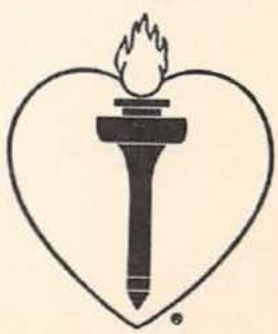
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Viewpoint

A "WPA" for railroad rebuilding?

Railroads urgently need massive infusions of capital to bring 19th century roadbeds up to late 20th century requirements. Nobody disputes that. The question is: Where is the money coming from? One answer is now before Congress: the Surface Transportation Act of 1974 would provide up to $2 billion in Federally-guaranteed loans which could be used for permanent way improvements as well as for rolling stock acquisitions. Such legislation has been "just around the corner" for some time, and probably will be for some time to come.

Other solutions to this perennially perplexing problem have been put forward by Democratic Senator Vance Hartke of Indiana, who has proposed Federal takeover and rehabilitation of railroad rights of way that would, however, remain under private control; and by Pennsylvania Gov. Milton J. Shapp, who wants to create a $12.9-billion railroad rehabilitation trust fund financed by a 5% surcharge on freight rates.

Now comes James V. Springrose, vice president-transportation of Cargill, with still another proposal—one which, he feels, would circumvent some of the weaknesses inherent in the other plans.

In the first place, Mr. Springrose feels that to try to raise the full amount of necessary capital through freight-rate increases would be self-defeating, since "the public would pay for it anyway through higher freight rates and the competitive balance would be altered with some traffic diverted to trucks at still higher rates and a greater burden on government maintained highways." In the second place, Mr. Springrose is well aware that in an inflationary, recessionary economy, government will look darkly on any big further drains on the Federal treasury.

Yet, he feels Federal money *can* be loosened for right-of-way rehabilitation—and in a way, moreover, not inconsonant with the Ford Administration's stated economic goals.

What Mr. Springrose has proposed, in a speech before a group of bankers in St. Louis Nov. 10, is this:

> "Allow the Administration and the Congress to make some of the hard national decisions to curtail inflation, and utilize those unemployed thereby as a resource to rebuild the necessary portions of the railroad system. Call it reactivating the WPA, if you like.
>
> "Properly implemented, this program need not create a new bureaucratic unit of government to administer it.
>
> "The Department of Transportation has already identified the minimum safety criteria for railroad track and roadbed. A committee of three—comprised of (1) individual railroad management, (2) the labor leader whose members would do the work, and (3) a Federal district judge near the location of any contemplated work—could determine which necessary sections of track and yards are sub-standard. When they reached agreement, DOT would provide the funds on a per job basis of, say, some percentage of the total. The committee would then be required to attest to DOT that a job was completed before additional funds were released for another improvement on the same railroad."

WHY NOT "BEAUTIFY" THE RAILROADS?

Mr. Springrose's suggestion needs close and critical examination. Those with memories of WPA inefficiency will take a particularly close look.

With one of Mr. Springrose's statements, however, few will disagree: If we are, indeed, going to have WPA-like "beautification programs" as suggested by President Ford, then railroad rehabilitation would be a beautiful way to begin.

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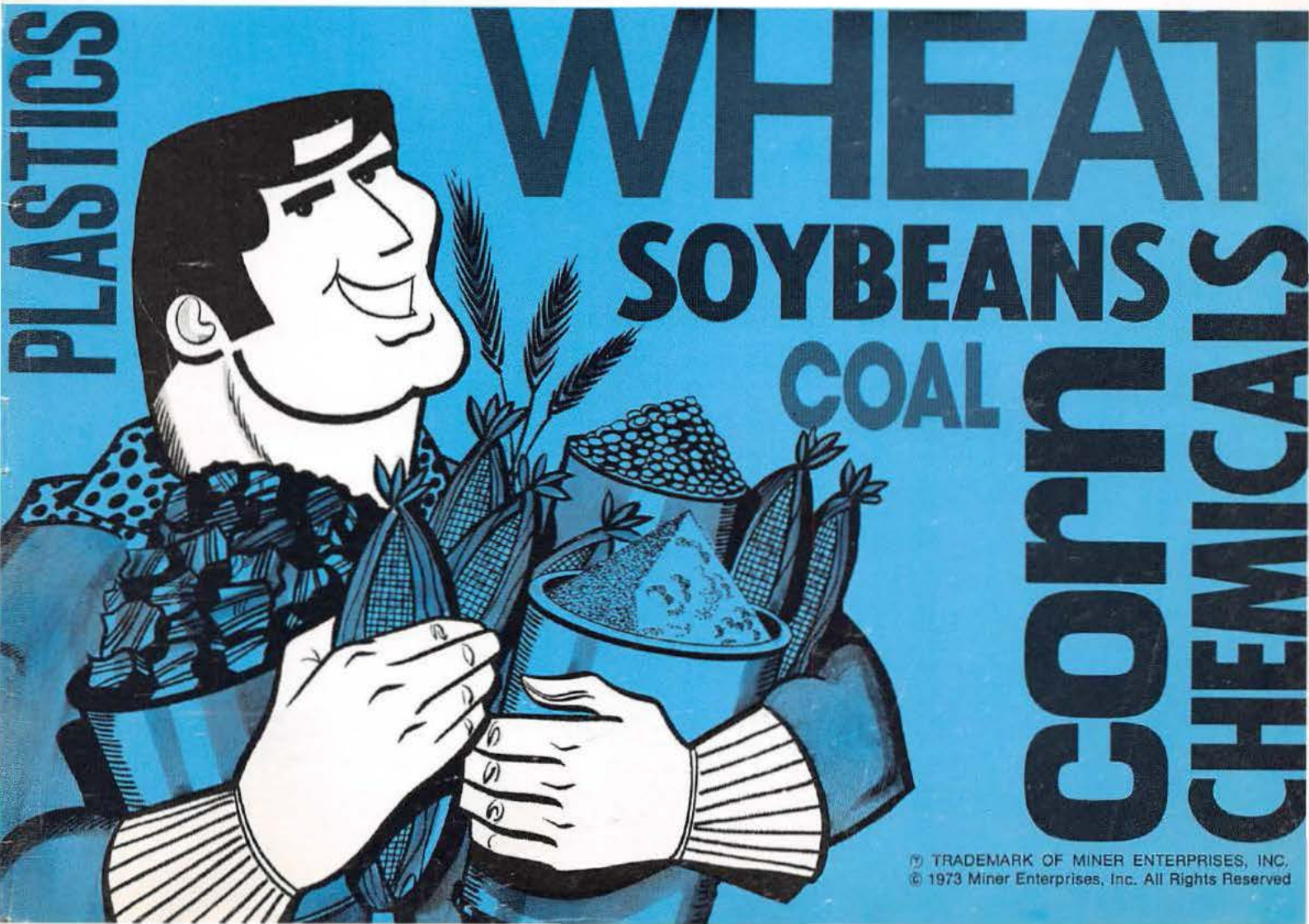

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